

# ECONOMIC SYSTEM

# Industrial Revolution

During 1760-1820, a period of major industrialization occurred beginning in Britain and then spread throughout the world.

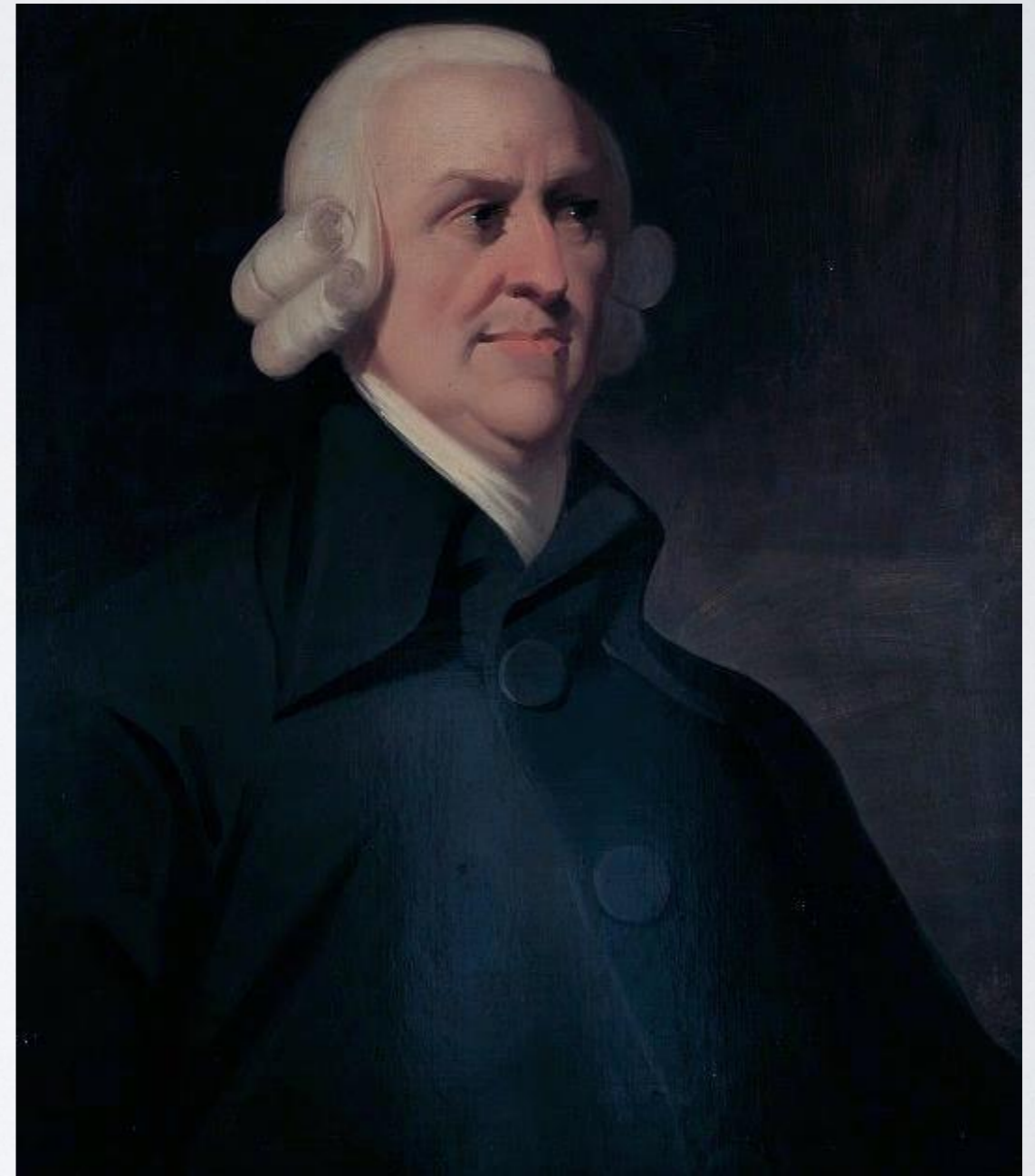
New steam and water powered inventions made production faster and people were able to make more money

With the rise of wealth, people began to speak out about economic systems and its affect on society



# ADAM SMITH

- Scottish Philosopher
- Influenced Scottish Enlightenment
- Called the Founder of the science of Economics
- Wrote *Wealth of Nations* (1776)
- Claimed Capitalism was the best form of economics



# CAPITALISM

An economic and political system in which a country's trade & industry are controlled by private owners for profit

- People should be free to pursue economic interests and all will benefit
- laissez faire-“let people do what they want”
- Government should not interrupt or impose limits/regulations
- Government's job is to:
  - protect society from invasion
  - defend citizens from injustice
  - provide public works necessary for interactions and trade (roads, canals, etc)



# MERCANTILISM

A nation's wealth is measured

by:

- the amount of gold or silver in its treasury

To increase wealth, government

must:

- encourage exports to bring in gold and silver
- restrict imports to avoid draining away gold and silver
- give monopolies and financial support to local businesses to give them an advantages over competition

# LAISSEZ-FAIRE ECONOMICS

A nation's wealth is measured

by:

- an annual output of goods and services

To increase wealth, government

must:

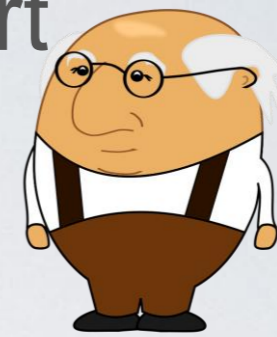
- impose no restrictions on trade, allowing it to operate freely
- provide no support or monopoly advantages for local business so that competition can occur freely

# What does Capitalism Look Like?

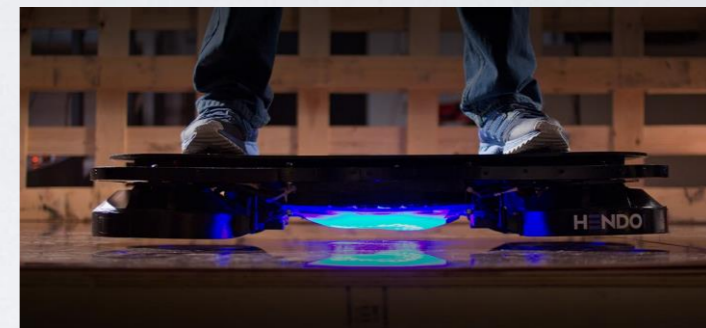


Gary

Herbert



Gary is selling the very  
1st Hoverboard for sale  
\$20,000



Herbert creates a  
Hoverboard for sale  
\$10,000



Gary makes a new version of  
Hoverboard with bluetooth  
speaker system for sale  
\$12,000

## Where would you buy it from?

This is called Competition.

The price of products is determined by  
what the customer is willing to pay

Competition inspires new  
inventions and better products



Herbert creates a new version of  
Hoverboard with glowing lights  
for sale \$8,000



# TRADITIONAL CAPITALISM

*You have two cows.*

*You sell one and buy a bull.*

*Your herd multiplies, and the economy grows.*

*You sell them and retire on the income.*

# PROS AND CONS OF CAPITALISM

## Pros

- Hard work is rewarded
- More intelligent & progressive society
- the people are in control, not the government
- Economic freedom for all
- More efficient production
- encourages better goods
- better goods leads to better global trade

## Cons

- more concern over product production and less about employees
  - can cause poor working conditions
  - more use of technology=less employees
- unequal wealth=resentment of social classes
  - Although, Taxes are used to help some unfairness*
- business owners decide employee's pay (this can be a pro, too)



	<b>Capitalism</b>	<b>Socialism</b>	<b>Communism</b>	<b>Marxism</b>
<b>Who controls the economy?</b>	<b>Private Individuals</b>			
<b>How much profit may individuals keep?</b>	<b>Most of it (except taxes)</b>			
<b>Who controls the major industries?</b>	<b>Individuals own stocks in businesses</b>			
<b>What private property may a person own in each of these systems?</b>	<b>Most- except for government roads, forests, parks etc</b>			
<b>Who owns the natural resources?</b>	<b>Individuals except for government, parks, etc</b>			
<b>How much competition is permitted?</b>	<b>Lawful competition is encouraged</b>			
<b>What is the incentive to work?</b>	<b>Profit- self interest motive</b>			
<b>What is the concern for the individual?</b>	<b>The Individual comes first</b>			
<b>How does each affect choosing a job or career?</b>	<b>Freedom of choice</b>			

# CAPITALISM ACTIVITY

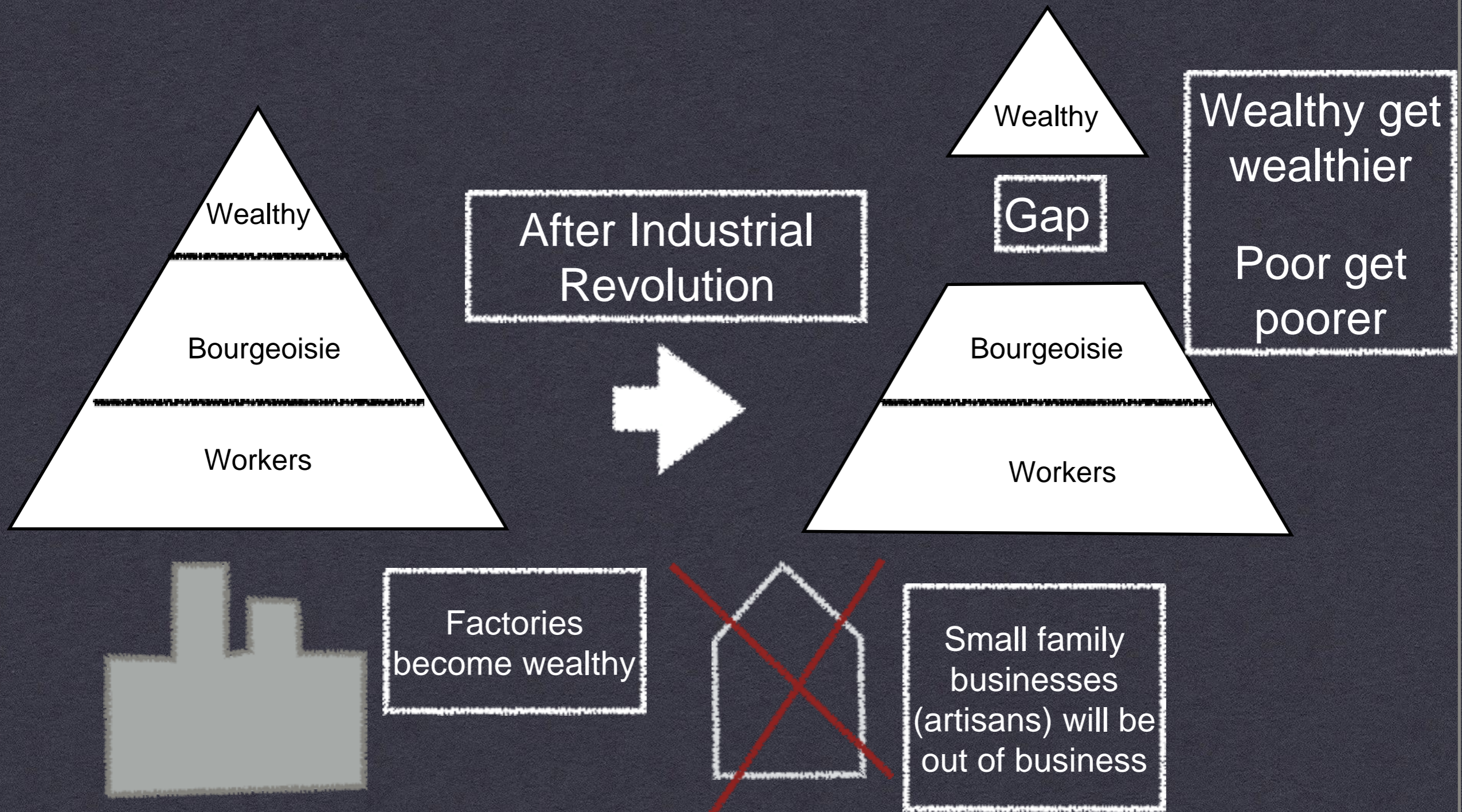
- What is your product?
- How much?
- Make it sound appealing- Why would they want it?

# Karl Marx

- Born 1818, Germany but had to leave and lived in London
- His economic ideas are called “Marxism”
- The theory of Marxism is a more extreme version of socialism.
- His ideas of socialism will later become communism
- Wrote *The Communist Manifesto*
- Stated his concern for unequal wealth social classes
- believed poor will always



# CONCERNS OF KARL MARX



# KARL MARX'S SOLUTION

SOCIALISM

-All people own the "means of production" (factories)



All earnings from businesses is distributed to everyone equally

~~Private property~~

Owned by the people

- 3 Stages of Reconstruction
1. Capitalism
  2. Socialism
  3. Communism

	<b>Capitalism</b>	<b>Socialism</b>	<b>Communism</b>	<b>Marxism</b>
<b>Who controls the economy?</b>	<b>Private Individuals</b>			<b>The workers</b>
<b>How much profit may individuals keep?</b>	<b>Most of it (except taxes)</b>			<b>Everything is Shared</b>
<b>Who controls the major industries?</b>	<b>Individuals own stocks in businesses</b>			<b>The workers</b>
<b>What private property may a person own in each of these systems?</b>	<b>Most- except for government roads, forests, parks etc</b>			<b>Equal to everyone else</b>
<b>Who owns the natural resources?</b>	<b>Individuals except for government, parks, etc</b>			<b>The people</b>
<b>How much competition is permitted?</b>	<b>Lawful competition is encouraged</b>			<b>None</b>
<b>What is the incentive to work?</b>	<b>Profit- self interest motive</b>			<b>Improve the state</b>
<b>What is the concern for the individual?</b>	<b>The Individual comes first</b>			<b>The state</b>
<b>How does each affect choosing a job or career?</b>	<b>Freedom of choice</b>			<b>State direct workers to jobs</b>

# EFFECTS OF MARXISM (1900'S)



Russia's Lenin

China's Mao Zedong



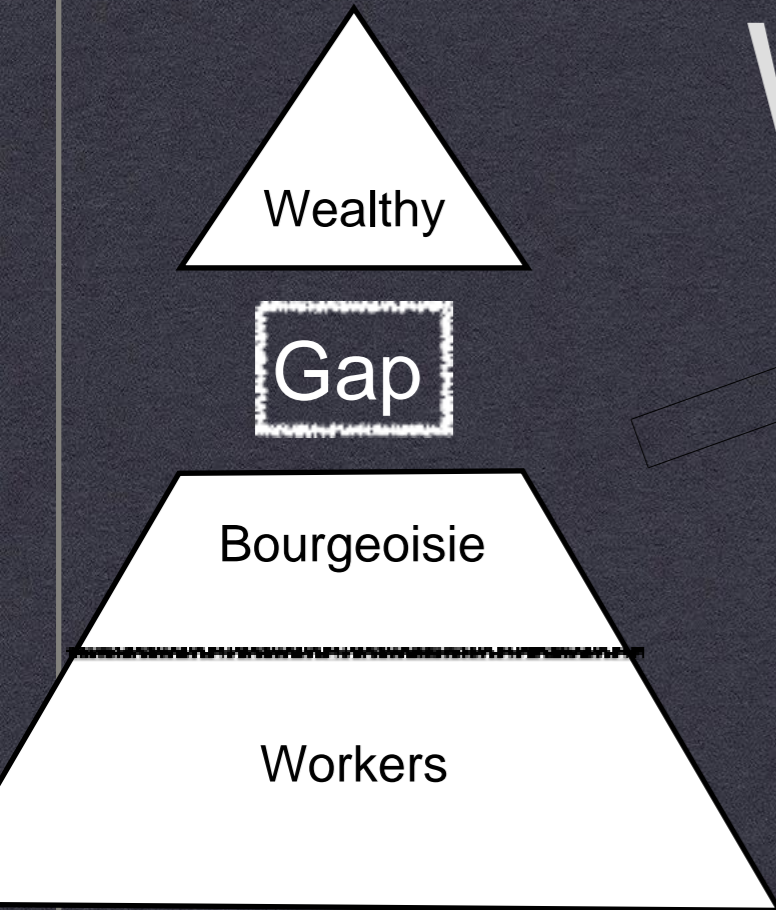
Cuba's Fidel Castro



WAS HE RIGHT?



# WAS MARX RIGHT?



MostlyN  
0

The Government made reforms (changes) to make sure that didn't happen

Examples:

- Higher taxing of the wealthy
- Tax refunds for poor
- Welfare & Medicaid systems



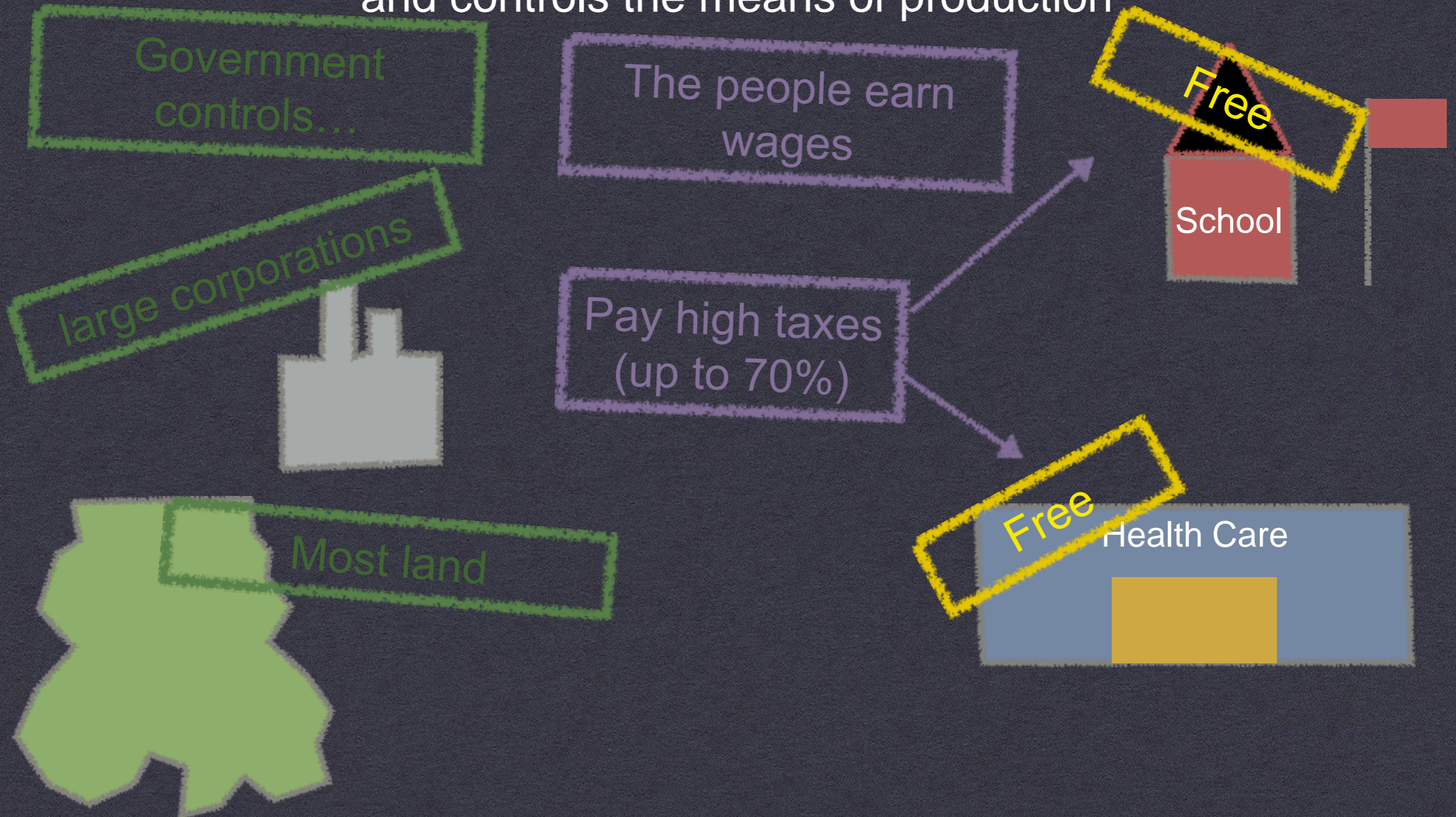
# SOCIALISM

*You have 2 cows.*

*You give one to your neighbour.*

# SOCIALISM

-a system in which society; usually in the form of the government, owns and controls the means of production



# EXAMPLES OF SOCIALIST COUNTRIES

Great Britain

Denmark

Sweden

Norway

Germany

# PROS

# CONS

- Everyone has access to healthcare and education
- Less class distinction
- Poor are better able to meet basic needs
- Companies are managed by the government and insure fair prices

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- Government has most control
- Can lead to unnecessary government spending
- High taxes
- Services (like healthcare) may be more difficult to quickly achieve with state-run services
- Lack of motivation to work harder & improve goods (fewer & less experienced doctors. Less advancements in technology)
- Can lead to lazy citizens who would rather live off welfare programs
- Less entrepreneurs starting new companies

	<b>Capitalism</b>	<b>Socialism</b>	<b>Communism</b>	<b>Marxism</b>
<b>Who controls the economy?</b>	<b>Private Individuals</b>	<b>Government and Individuals</b>		<b>The workers</b>
<b>How much profit may individuals keep?</b>	<b>Most of it (except taxes)</b>	<b>Some of it- highly taxed (up to 70%)</b>		<b>Everything is Shared</b>
<b>Who controls the major industries?</b>	<b>Individuals own stocks in businesses</b>	<b>The government</b>		<b>The workers</b>
<b>What private property may a person own in each of these systems?</b>	<b>Most- except for government roads, forests, parks etc</b>	<b>Some- can not own property claimed by government</b>		<b>Equal to everyone else</b>
<b>Who owns the natural resources?</b>	<b>Individuals except for government, parks, etc</b>	<b>Mostly government</b>		<b>The people</b>
<b>How much competition is permitted?</b>	<b>Lawful competition is encouraged</b>	<b>None with the government Ok w/ small businesses</b>		<b>None</b>
<b>What is the incentive to work?</b>	<b>Profit- self interest motive</b>	<b>The welfare and well-being of group</b>		<b>Improve the state</b>
<b>What is the concern for the individual?</b>	<b>The Individual comes first</b>	<b>The group comes 1st, Individuals 2nd</b>		<b>The state</b>
<b>How does each affect choosing a job or career?</b>	<b>Freedom of choice</b>	<b>Freedom of choice</b>		<b>State direct workers to jobs</b>



# COMMUNISM

*You have 2 cows*

*The State takes both and gives you some milk.*



# COMMUNISM

Economic and social system in which all (or nearly all) property and resources are collectively owned by a classless society and not by individual citizens

People work for the community, not themselves

The people own everything & government manages it for them



Redistribution equally & only produce enough for need of the people

\$50



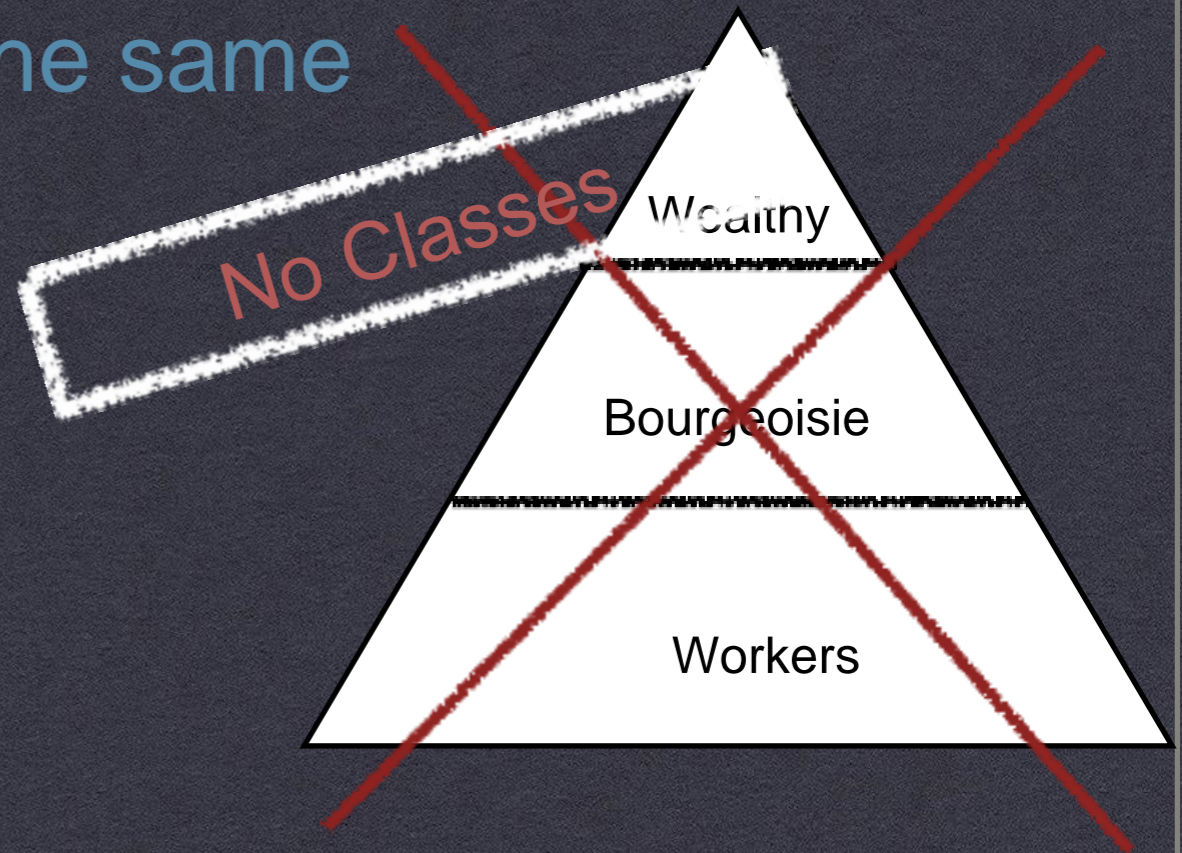
\$50



\$50



Everyone is paid the same





# THE 5 COMMUNIST COUNTRIES TODAY

North Korea

China

Laos

Vietnam

Cuba

# PROS & CONS

-No social classes

-Low unemployment rate (&  
less crime like theft)

-All basic needs are met

-No hiring-and-firing of  
employees

-Government has all control

-Often controlled by dictators

-Government decides your wages

-Government can draft you to certain jobs that are  
needed rather than what you want

-Lack of motivation to work harder & improve goods  
because there is no reward

-Lack of economic growth can lead to poverty and  
averaging of resources/money tends to be low

-In reality, Leaders often live luxuries lives (even  
though this is the opposite of it's purpose)

-Often media and freedom of speech is limited and  
censored by government

-laws are often strict

-Less focus on culture (like music or art)

-quality of education & healthcare can be poor

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<b>Who controls the economy?</b>	<b>Private Individuals</b>	<b>Government and Individuals</b>	<b>Government makes all decisions</b>	<b>The workers</b>
<b>How much profit may individuals keep?</b>	<b>Most of it (except taxes)</b>	<b>Some of it- highly taxed (up to 70%)</b>	<b>None is allowed for individuals</b>	<b>Everything is Shared</b>
<b>Who controls the major industries?</b>	<b>Individuals own stocks in businesses</b>	<b>The government</b>	<b>The government owns all businesses</b>	<b>The workers</b>
<b>What private property may a person own in each of these systems?</b>	<b>Most- except for government roads, forests, parks etc</b>	<b>Some- can not own property claimed by government</b>	<b>No private ownership is allowed</b>	<b>Equal to everyone else</b>
<b>Who owns the natural resources?</b>	<b>Individuals except for government, parks, etc</b>	<b>Mostly government</b>	<b>Government owns all</b>	<b>The people</b>
<b>How much competition is permitted?</b>	<b>Lawful competition is encouraged</b>	<b>None with the government Ok w/ small businesses</b>	<b>None permitted. Harmful!</b>	<b>None</b>
<b>What is the incentive to work?</b>	<b>Profit- self interest motive</b>	<b>The welfare and well-being of group</b>	<b>Work to help all members of society. Share!</b>	<b>Improve the state</b>
<b>What is the concern for the individual?</b>	<b>The Individual comes first</b>	<b>The group comes 1st, Individuals 2nd</b>	<b>Only the group is important</b>	<b>The state</b>
<b>How does each affect choosing a job or career?</b>	<b>Freedom of choice</b>	<b>Freedom of choice</b>	<b>Government decides for you!</b>	<b>State direct workers to jobs</b>



# FASCISM

*You have 2 cows.*

*The State takes both and sells you some milk.*



# AN INDIAN CORPORATION

*You have two cows.  
You worship them.*



# AN ITALIAN CORPORATION

*You have two cows,  
but you do not know where they are.  
You decide to have lunch.*



# AN AUSTRALIAN CORPORATION

*You have two cows.*

*Business seems pretty good.*

*You close the office and go for a few beers to celebrate.*



# A FRENCH CORPORATION

*You have two cows.*

*You go on strike, organize a riot, and block the roads, because you want three cows.*





# A BRITISH CORPORATION

*You have two cows.  
Both are mad.*



# AN IRISH CORPORATION

*You have two cows.  
One of them is a horse.*



# A SWISS CORPORATION

*You have 5,000 cows.*

*None of them belong to you.*

*You charge the owners for storing them.*