

Name:

Date:

Class:

Block #:

Economic Systems

EQ: What are three main economic systems that developed after the Industrial Revolution?

Directions: Read the descriptions below. In the first column, decide if you agree or disagree with each description below. After reading about each economic systems, identify which system is present in the second column. Be prepared to discuss why you made your decisions.

#	Description	Agree/Disagree	Economic System
1	Businesses and individuals should own property and the means of production.		
2	When individuals follow their own self-interest, progress will result.		
3	The government must act to protect workers since employers often take advantage of them.		
4	The government should own property and the means of production.		
5	The government should not interfere in the economy because the rules of the market-place (the world of business) benefit everyone.		
6	Goods should be distributed according to each person's needs.		
7	Progress results when producers of goods cooperate for the benefit of all.		

Directions: Analyze the political cartoon and answer the questions.

	8. What do you observe?	
	9. What do you infer?	
	10. What economic system do you think is represented here?	

Introduction:

Until the modern age, people focused largely on land and agriculture. However, as nations began to trade and industrialize, new economic systems were needed to make sense of how they should make choices about how they use their limited resources to meet their wants and needs. Business leaders said governments should stay out of business and economic affairs. Reformers believed that governments should play an active role in bettering conditions for the poor.

Pulse Check:

1. How did business leaders view the changing economic systems?
2. How did reformers view the changing economic systems?

Free Enterprise System (Capitalism):

As new technologies were developed and Great Britain began to industrialize during the Industrial Revolution, ideas around wealth changed. A new middle class composed of merchants, landowners, and bankers, emerged. These people helped to develop the free enterprise system (also known as **capitalism**). In a free enterprise system, people are free to decide what to buy, where to work, and what to make. The goal in this type of system is to make a profit.

An economist named Adam Smith argued wealth is not fixed and could be created. He wrote a book about this type of system called *Wealth of Nations*. He also came with an economic policy called **laissez faire** economics. In a laissez faire economy, the government does not interfere in the economy by imposing regulations like taxes or restrictions on those who could trade. People are free to make their own decisions. In other words, a government should NOT interfere in the economy at all. *Laissez faire* is French for, “leave it alone” or “let go.”

Pulse Check:

3. What is laissez-faire economics?
4. Who is Adam Smith?
5. What event led to a shift in economic systems?
6. What is capitalism?

In country A, several factories produce different types of sneakers. Factories pay very few taxes, and they are allowed to sell to anyone.	In country B, several factories produce different types of sneakers. The government heavily taxes the factories and prevents imports of sneakers from other countries.
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7. Which country practices laissez faire economics? Explain.

Socialism:

Socialism is an economic system in which the government owns and controls manufacturing and is responsible for planning the economy. It first began in the 1800s as a political movement in response to the injustices of industry and the exploitation of workers. Many workers had to work long hours for low wages in unsafe conditions. Reformers believed the best way to keep workers safe would be to pass laws to protect them. The goal of socialist reform would be to improve working and living conditions through political action and eliminate the differences between the rich and the poor. In a socialist system, where the government owns manufacturing, businesses, and property, the government determines what is to be produced and distributes wealth evenly. The government should also provide services like free schooling, low-cost housing, inexpensive public transportation, and a national health program.

Pulse Check:

8. What is socialism?

9. What is goal of socialism?

10. What is the role of government under socialism?

Communism:

Communism is an economic system that is a form of complete socialism where the people own means of production. There would be no private property. There would also be no social classes. Karl Max published these ideas in *The Communist Manifesto*. Marx believed that the conditions of workers and poor or **proletariat** would become so bad that they would eventually rise up and overthrow their capitalist rulers and the rich or **bourgeoisie** in a violent revolution. After the revolution, Marx predicted that workers would establish a “utopian society” in which everyone is equal, everything is shared, and people would live in perfect harmony. The goal would be cooperation and competition would be replaced. This would allow everyone’s needs to be met.

Pulse Check:

11. Who is Karl Marx?

12. What is communism?

13. Who are the proletariat and the bourgeoisie?

14. How is socialism different from communism?

15. How is capitalism different from socialism and communism?

Economic System Comparison

Economic Policy	What is the definition of this system?	Who came up with or wrote about this system?	What is the main goal of the policy?	How is government involved in this economic system?	How would you draw or describe this system?
Capitalism					
Socialism					
Communism					