

TOPIC: ECONOMIC SYSTEMS

Capitalism



Capitalism

An economic system in which natural resources and the means of producing goods and services are _____ owned.

Features of an _____ Capitalist Economy:

- 1 Private ownership of wealth-producing property.
- 2 People operate on a _____ motive.
- 3 Competition and consumer _____ regulates supply and demand.
- 4 Concern that government involvement in economy reduces quality and quantity of goods.

History

Popularized in many countries during and after the Industrial Revolution.

Modern Examples

United States, Canada, Australia.

Related Terms

Welfare Capitalism: An economic and political system that combines a market-based economy with extensive social _____ programs (Ex: Germany, Norway, & Sweden).

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EXAMPLE

For each item below, place a check mark if the policy aligns with a core feature of capitalist economies.

1	Profits capped at a uniform national rate.	
2	Prices for goods are influenced by market forces.	
3	State approval required before new businesses can operate in certain fields.	
4	Factories and patents are owned by individuals and corporations.	
5	Quotas are established for the long-term demand of a good.	

PRACTICE

Many Scandinavian countries, which have a welfare capitalist system, are touted for their very high quality of life. Which feature below could be expected in a welfare capitalist state but not in a capitalist state?

- a) Private ownership of property.
- b) Prices for goods and services based on consumer demand.
- c) Decommodification of essential goods, such as food and housing.
- d) Access to extensive social welfare programs.

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Socialism



Socialism

An economic system in which natural resources and the means of producing goods and services are _____ owned.

Features of an ideal Socialist Economy:

- 1 Collective ownership of _____-producing property.
- 2 People operate under a collectivist orientation.
- 3 Decommodification of essential goods (ex: healthcare).
- 4 People in a society are _____ equal.

Related Terms

Communism: A hypothetical political and economic system in which all people in a society are _____ equal.

History

Popularized in some countries after the Industrial Revolution, but globally declined in the 1990s.

Modern Examples

People's Republic of China & Cuba.

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EXAMPLE

For each item below, place a check mark if the policy aligns with a core feature of socialist economies.

1	Profits capped at a uniform national rate.	
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PRACTICE

Many individuals use the terms socialism and communism interchangeably. How might you explain the difference between the two?

- a) Socialism focuses on protecting resources, while communism focuses on expanding access to resources.
- b) Socialism focuses on reducing wealth inequality, while communism aims to eliminate all inequality.
- c) Socialism focuses on increasing economic output, while communism focuses on increasing equality.
- d) Socialism focuses on financial operations, while communism focuses on political operations.

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Comparing Capitalism and Socialism

	 Capitalism	 Socialism
Main Idea	Benefit individuals, which in turn benefits society.	Benefit society, which in turn benefits individuals.
Economic Output	Typically have ____ GDP.	Typically have ____ GDP.
Standard of Living	More consumer choice may result in a higher standard of living.	Less consumer choice may result in lower standard of living.
Distribution of Wealth	____ economic inequality.	____ economic equality.
Access to Basic Needs	People may struggle to access basic necessities.	People have access to basic necessities.



Note: Keep in mind, most nations _____ these economic systems.

