

# Capitalism, Communism, Socialism

**Capitalism:** An economic System in which the factors of production are privately owned, labor works for a wage (wage labor), and consumers control the means of production.

**Socialism:** An economic system in which the means of production are owned by the state (the Government). The government decides how the wealth is distributed among the people. Less on the individual and more on the interests of society.

**Communism:** An economic system in which the workers control the means of production

*Economic Systems examine the distribution and use of limited resources or goods.*

## What are the foundations of Capitalism?

**Free Market-** markets regulated by the forces of competition, supply and demand, and prices set by consumers. WITHOUT government interference

**Laissez-Faire-** economic policy of letting owners of industry and business set working conditions WITHOUT government interference.

**Market Economy**– Supply and demand determine production and price

Other Notes to Add:

### **Adam Smith *Wealth of Nations* (1776)**

An economist who supported the idea of **laissez-faire** economics and **free markets**.

### **4 *Laws of Capitalism***

**Law of Self-Interest:** People work for their own good.

**Law of Competition:** Competition forces people to make a better product and charge a reasonable price.

### **Law of Supply and Demand:**

Demands=Wants

Supply=Goods available

**Profit:** Making more than you spend

**Capitalism =**

# Capitalism, Communism, Socialism



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## Karl Marx

-Influenced the growth of Socialism and Communism

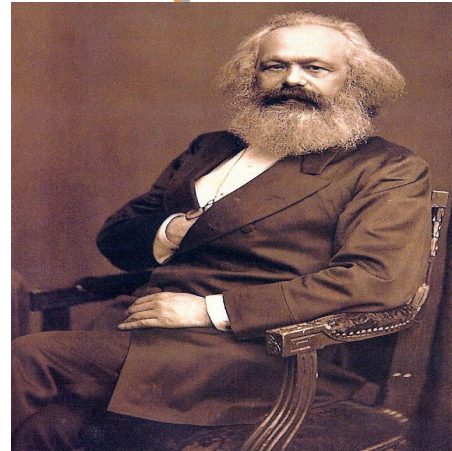
-Wrote *The Communist Manifesto* (1848) in response to the horrors of the Industrial Revolution

-Marx viewed history as a class struggle. The Industrial Revolution, he believed, made the rich more rich and the poor, more poor.

-The class struggle was between the wealthy capitalists, Marx referred to these members as the *bourgeoisie*, and the working class, who Marx refers to as the proletariat.

-Marx believed the working class (proletariat) would become so large, poor, and unhappy.

*What will this cause?*



## Communism in *Theory*:

- All factors and means of production will belong to the workers or the people.
- Wealth is equal among all
- There will be no more social classes
- **Workers (proletariat) control means of production**

## Communism in *Practice*:

- **Government exists to aid the transition from Socialism to Communism, utilizing a Mixed Economy**

*Mixed Economy-Some industries are owned by the state and others are privately owned*

- **Government does not hand over control to the workers**
- **Government takes over and regulates all means of production.**
- **This is referred to as a Command Economy**

*Command Economy-The government directs and controls the means of production*

Add Notes:

## Capitalism

## Communism

### Word Bank:

Market Economy

Supply and Demand

Consumers control means of production

Command Economy

Competition

Proletariat and Bourgeoisie

Free Market

Consumers

Government Regulation

Adam Smith

Profit

Classless society

Karl Marx

Revolution

Class Struggle

*The Communist Manifesto*

Laissez-Faire

Workers control means of production