

Name: _____ Class: _____

Capitalism

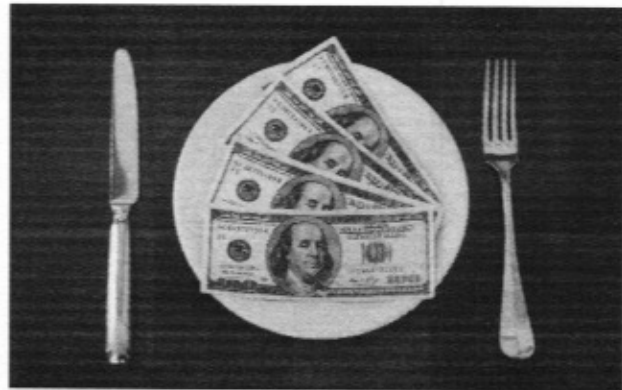
By Jessica McBirney
2016

An economic system refers to the way the money, industry, and trade of a country or region are organized. People often disagree about how economic systems around the world should work. Capitalism, the system used in the United States, tends to involve fewer rules from the government. Many people support capitalism, but some critics say that it is unfair and can prevent poorer people from improving their lives. As you read, take notes on both the positive and negative traits of capitalism.

- [1] Capitalism is an economic system in which individual people make most of the decisions and own most of the property in a country. This is the system used in the United States today.

Property

In a capitalist society, individual people and businesses can own property. Property can be a piece of land, a house, or something smaller, like a car or even a shirt. People can decide when to sell their property or buy more property, and they are free to buy or sell without asking for permission from the government. They can also decide what price they will charge for their property or how much money they will spend on a new piece of property. A big system of people buying and selling property is called a "market."



"Money" by Pictures of Money is licensed under CC BY 2.0.

The Role of the Government

Capitalists say the government should not make very many laws about the economy. They prefer "free markets," which are markets with only a few laws and regulations.¹ For example, the government could make a law telling people not to steal someone else's property, because property is so important for everyone to succeed. However, the government should not make a law telling people a price they have to charge to sell something. Some capitalists say that the government should not use money collected from taxes² to help people who are poor or sick. Instead, they believe that individual people should help each other without being forced to give away their money.

1. Rules the government sets up to control something.
2. Taxes are money that a government requires its citizens to pay, in order to pay for things like roads, public schools, libraries, the military, and many other things that a government may provide for its people.

Investment

Another important part of capitalism is investment. To invest in something is to buy a small piece of something because you believe it has value. For example, if Martha wanted to start a candy store, she might ask several of her friends to invest money in her idea. Once she had money from a few different people, she could buy a building for the store. She would recompense investors by giving them a percentage of the money she made from the store's business. Investment helped everyone in this case, because Martha got the extra money she needed to buy her store, and all her investors got to share in her success. Very large companies can sometimes get thousands of investors.

Benefits of Capitalism

- [5] Capitalist proponents³ believe capitalism is the best system for the economy because it can help the most people. Because it is easy to own property, people can use their property to become richer. Many capitalists also like the freedom from government and laws. They also believe capitalism allows people to make new inventions, like the car or the computer. Thanks to investors, people with good new ideas can succeed and turn their ideas into businesses that make money.

The features of capitalism may sound familiar to you, because capitalism is the type of economic system that exists in many countries today, including the United States, Canada, and Great Britain. However, some countries are not capitalist – such as China, Cuba, and North Korea. Their leaders do not believe that capitalism is the best economic system.

Anti-Capitalists

Some people in the world – including some citizens of capitalist countries – do not think capitalism is a fair system for the economy. These people are usually called socialists⁴ or communists.⁵ They often want the government to make more decisions in the economy. They believe capitalism can be unfair because it causes too much competition between people, and prevents those with less wealth from having equal opportunities. They think capitalism divides people into two groups: workers and business owners. Instead of working together, these two groups compete against each other and hurt each other.

One writer named Karl Marx wrote a book called *The Communist Manifesto*, which told workers to rebel⁶ against business owners. The most famous real-world example of this was the revolution in Russia in 1917. The communist government lasted until 1991. Some historians say their country fell apart because they did not use capitalism in their economy, while others point to different reasons, such as attacks from other countries.

-
3. **Proponent (noun):** supporter; advocate
 4. Socialists are people who support socialism, a system in which everyone has an equal opportunity to benefit from a country's wealth. Under socialism, the country's main industries are usually owned by the state.
 5. Communists are people who support communism, the political belief that all people are equal and that workers should control the means of producing things.
 6. **Rebel (verb):** to reject or oppose something; to take actions to take power away from someone who controls something

Directions: For the following questions, choose the best answer or respond in complete sentences.

1. What is the author's main purpose in writing this article? Cite evidence from the text in your response.

2. PART A: One of the central topics of the article is about what capitalism is. What is another central topic of the article?

- A. Ownership of property
- B. How investing works for small businesses
- C. The pros and cons of capitalism
- D. Karl Marx

3. PART B: Which TWO paragraphs from the text best support the answers to Part A?

- A. Paragraph 1
- B. Paragraph 2
- C. Paragraph 4
- D. Paragraph 5
- E. Paragraph 7
- F. Paragraph 8

4. PART A: What does the word "recompense" most closely mean as it is used in paragraph 4?

- A. to pay back
- B. to apologize to
- C. to offer a bribe to
- D. to invest in

5. PART B: Which phrase from the paragraph best supports the answer to Part A?

- A. "buy a small piece of something"
- B. "believe it has value"
- C. "giving them a percentage of the money"
- D. "Martha got the extra money she needed"

6. Which phrase best describes the relationship between workers and business owners in a capitalist society?

- A. working together toward a common goal
- B. in conflict over personal differences
- C. united in their support for capitalism
- D. in competition with one another for money

GROUP

Discussion Questions

Directions: Brainstorm your answers to the following questions in the space provided. Be prepared to share your original ideas in a class discussion.

1. Based on the information in the article, do you believe you are more of a capitalist or a socialist/communist? Explain.
2. Have you ever thought that the capitalist system used in the United States (and other countries) might be flawed? Why?
3. Supporters of capitalism often say that capitalism makes it is easy to bring the best products or services to the market, which is great for the average person. In the context of this article, does capitalism encourage and help people start their own businesses? Is this important for the economy? Cite evidence from this text, your own experience, and other literature, art, or history in your answer.
4. One common criticism of capitalism is that it encourages greed and harsh competition for money. In the context of this text, does money buy happiness? Cite evidence from this text, your own experience, and other literature, art, or history in your answer.