**World History**

**Measurement Topic 2: Industrial Expansion & Imperialism**

**Learning target #2:**  **Describe the development of capitalism, and Communism**

**Directions:**

1st- Number the paragraphs

2nd - Independently read the passage, and circle words you don’t know. Predict the meaning of the words.

3rd- Read the passage a second time with a partner, highlight information and write side notes.

4th- Answer the questions on the back in complete sentences.

**Development of Capitalism**

Capitalism became the new economic system (way to make money) in Europe after the Industrial Revolution. People turned from the old way of investing their money which was trading goods for services (feudalism) to investing their money in land, natural resources, machines, and factories to create finished products to sell around the world.

Capitalism in its simplest form is when investors invest in land, natural resources, machines and labors (workers) to produce a finished product for a profit. The end goal is to create the most money as possible. The production (creating of the goods) was driven by **supply and demand.** If the consumer (person buying the good) demands something and the supply is low, the consumer pays more, but if the supply is high, then the consumer pays less. Companies would create products in order to sell them for the highest profit. The highest profit was achieved by paying the lowest prices for labor (workers wages) and natural resources, then charging the customer the highest price possible.

Example: I pay .99 for a plastic ring because there is a large supply of plastic, however if I want a gold ring because supplies are limited I have to pay more, $1,000.

**Basics of capitalism:**

Everything in a capitalistic society is **privately owned**. **People invest money to receive the highest profit**. The land, resources, machines, and company are all privately owned and ran/operated privately, meaning the government doesn’t own it. Any profits earned from **production of consumer goods** (stuff made) are kept by the owner and/or the investor. The government has a minimal role in a capitalistic economic system. Adam Smith an economics professor advocated “laissez-faire”, minimal government involvement so that capitalism would be successful.

**Advantages of capitalism:**

People, the customers, have the right to choose what they want to buy and the business owners can use all their resources to create the products customers most want. (Supply and demand) Capitalism is very efficient at getting products out to the public that the public wants and needs. The government has minimum involvement in this type of economic system.

**Disadvantages to capitalism:**

Capitalism does not satisfy all the needs people have like the need for good roads, public schools, justice system, and national defense and so on. Capitalism is only focused on making a profit by selling goods and services that people will buy, not providing free products and services. Poor, unemployed and elderly also are ignored in a capitalistic economy because their needs are basic for survival and they can’t afford high prices. Also because investors and owners are aiming for the highest profit the workers are paid the lowest wage possible and generally don’t have the best working conditions.

What is it?

Disadvantages

What inspired it?

Advantages

Capitalism

1. What is supply and demand?
2. Under capitalism, what does an owner of a business want and what do they do to achieve this?
3. List some basic things you know about capitalism.
4. What did Adam Smith advocate for capitalism?

Write a small summary (at least 5 sentences) explain the basic of capitalism, as well as the advantages and disadvantages of capitalism.

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