**Capitalism**

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| **Aim:** | **Date:** |
| **Key Words:**  **1.**  **2.** |  |

**A. Capitalism and Adam Smith**

Adam Smith, a British philosopher, wrote a book called *The Wealth of Nations*. Adam Smith’s theories about the economy are called “capitalism”. He said that everyone should not be equal economically. If you work harder than somebody else, then you should be paid more money than that person. In addition, the government should not interfere with the money that companies or people earn and use.

*How would you describe the theory of capitalism?*

*How is capitalism connected to the Industrial Revolution?*

**B. Laissez-Faire (lay-zay-fair)**

Adam Smith believed that businessmen should be able to run their businesses to make as much money as they can. This would lead to more competition between businesses and Smith believed that is very good for any country. More goods are made and more jobs are created. The government should stay out of the way of businesses. The policy of laissez-faire economics means that the government will not interfere with private businesses.

“Our economic system works best when government keeps its hands off. The French call this “laissez-faire.”

- Adam Smith

*How does Adam Smith say that laissez-faire helps the economy?*

**C. Supply and Demand**

Supply is the amount of goods that are available to sell to the public. Demand is how popular a good is or how badly people want to buy it. If there is a large supply of a good in the market, the demand will be much lower. (i.e. If there were a trillion diamonds in the world, people would not want them as badly because they would be easy to get anywhere.) If the demand for a good is very high (meaning if people want the product a lot), then the company will try to make more (meaning that they will increase the supply. (i.e. When the iPhone first came out,

Apple made very few iPhones. People LOVED the iPhone so much, that Apple made many, many more iPhones because they knew that people would buy them and Apple would make more money.)

Historical Example – Columbian Exchange

Queen Isabella was the Queen of Spain in the late 1400s (15th century). She was unified Spain with her husband Ferdinand. They funded Christopher Columbus’ trip to America in 1492. The exploration missions she funded led to the Columbian Exchange. The Columbian Exchange was the widespread transfer of animals, plants, culture, human populations, communicable diseases, technology and ideas between the American and Afro-Eurasian hemispheres in the 15th and 16th centuries, related to European colonization and trade (including African slave trade). European Countries demanded goods that they did not have so they went to other countries to find the supply.

*Demand is*

*Supply is*

*If you ran a business, would you rather your product have a high supply or a high demand? Explain.*

**D. Captain Capitalism Video**

*According to the video, what is one negative of capitalism?*

**E. Capitalism: Because, But and So**

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| **Positives** | **Negatives** |
|  |  |

Capitalism is a good economic system because

Capitalism is a good economic system but

Capitalism is a good economic system so