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## THE ADVANTAGES OF CAPITALISM AND THE FREE MARKET

1. All major countries around the world have an economy. An economy is the wealth and resources of a country or region, including how they produce and consume goods and services. In simple terms, economies maintain the way people spend money and the way people make money and survive.
2. After watching, you will be able to:
  - ◆ Analyze the advantages of capitalism and the free market in the United States over government controlled economic systems.
  - ◆ Evaluate various economic systems (e.g., capitalism, communism, socialism).
3. Economies are grouped into economic systems based on how much economic freedom their citizens have, such as private property ownership and property rights. There are governments around the world that control both the government and economy, and governments that allow citizens to produce, trade, or use goods or services in a legal manner, and some governments in between. In this video, we will discuss three major economic systems: capitalism, socialism, and communism.
4. The first economic system we'll discuss is capitalism. Capitalism, which is known as a free enterprise or free market system, is an economic system in which private individuals and companies own and control most factors of production of goods and services.
5. Capitalism supports the idea that the free market, through supply and demand, will regulate itself if the government does not interfere. Supply is the amount there is of something, like automobiles, or milk, or concert tickets. Demand is how much people want it: milk, automobiles, concert tickets. When there's more supply than demand, prices go down. When there's more demand than supply, prices go up.
6. There are two ways to think about supply and demand:
  - ◆ Supply is greater than demand: Pop It Fidget toys were very popular a few years ago. Now, almost every kid has one or they are no longer interested in them. As a result, the price for them has dropped drastically.
  - ◆ Demand is greater than supply: great example of this? Taylor Swift ERAS tour tickets were in huge demand and they became incredibly expensive when the ticket company ran out of tickets, because demand exceeded supply!
7. Capitalism believes in allowing private ownership of production. This creates an economy with lower taxes for the citizens and is free of heavy government regulation. The idea is that supply and demand will allow for the natural regulation of production without government oversight, through competition. The private owners of the companies determine prices and locations. This type of system depends on the power resting with its citizens. Countries that utilize many capitalist ideals are the United States, Germany, and Japan. In the U.S., citizens

are offered the opportunity to pursue any legal personal interest that can raise their standard of living, but the government does not require citizens to use these services. Capitalist countries are often more wealthy than other countries.

8. Capitalist systems are often connected to countries that are democratic republics that protect property rights and have freedoms, but that is not always the case. For example, the country of Singapore is very capitalist and very wealthy, but it also has limited rights, other than property rights, for citizens.
9. The next economic system we'll discuss is socialism. Socialism is an economic system in which the government takes an active role controlling the economy and protecting the people from private businesses that might take advantage of them.
10. Socialism is an organization of the state and economy where the government controls most major industries instead of private ownership. Here, the wealth would be more equally distributed among the citizens, though people may be poorer than in a capitalist system. What sets socialism apart from communism is that there can still be private ownership of some things. For example, the government would control education, healthcare, and transportation, and citizens would pay higher taxes for these services. Citizens, however, can have their own businesses and property. Countries that currently have a heavier socialist-styled economic system would be Greece, France, Norway, and the United Kingdom (though none of these nations has a total socialist government). But, the concern with socialism is that citizens cannot choose to refuse these services in order to lower the amount of taxes they are required to pay, and because every citizen has access to these services, they are usually overcrowded and understaffed. For example, the United Kingdom's National Health Service often has a long wait.
11. A socialist country may be either democratic or undemocratic. For example, Venezuela considers itself to have a form of socialism, but it also has a government dictatorship where citizens have few rights. The United Kingdom has aspects of socialism (for example, a government run health care system) but is also a constitutional and democratic monarchy where citizens have rights. Socialist countries can be wealthy or poor, depending on how well they are governed and the extent of the socialist system. For example, Norway is democratic and partially socialist and is even richer than the United States right now, while Venezuela is more socialist and much less free and is very poor.
12. The final economic system is communism. The idea of communism is that the government heavily regulates and controls all aspects of daily life and the economy. This would include transportation, education, agriculture, production, and labor. There will be little to no private ownership of anything, and all things will be shared equally, at least theoretically, among those living there. This is supposed to eliminate social classes, but it really doesn't. The government regulates production, investment, wages, and prices. Communism, like that in the old Soviet Union or modern day North Korea, is often associated with totalitarianism or autocratic regimes because of the government's control over the economy and people's lives. Historically, all attempts at achieving a communist economic system have failed completely.
13. Communist systems, like that found in North Korea, are always dictatorships that provide citizens no rights and few opportunities, and are often quite poor.

14. It is important to know that many countries will blend or combine different economic and political systems. China, for example, is run politically by the Communist Party and is a totalitarian state with government ownership of many core industries. However, it has adopted some free market economic policies as it allows for some private property ownership and individual investments, and it has many wealthy people. The United States, as a constitutional republic, is predominantly capitalist/free market but sometimes has elements of the economy that are government regulated, like utilities and public schools

15. Let's recap what we learned:

- ◆ Capitalism is based on a free market and private property.
- ◆ Capitalist countries are usually richer and freer than other countries.
- ◆ Socialist countries have heavier government regulation or ownership and high taxes.
- ◆ Socialist countries can be democratic or undemocratic and rich or poor depending on the level of socialism and freedom.
- ◆ Communism is a failed economic system with total control of the economy and the people and usually high poverty.
- ◆ Many countries, like China and even the United States, may have mixed elements of different economic and government systems.