

Capitalism (Free Market) vs. Communism (Marxism)

Capitalism (The Free Market)

- Government involvement in economic activity is as limited as possible.
 - Market sets prices
 - Based on buyers and sellers.
- Most famously outlined by Adam Smith in *The Wealth of Nations*



Capitalism (The Free Market)

- The “invisible hand”
 - Buyers (consumers) and sellers (producers) interact.
 - Sellers (producers) only make what people will buy.
 - Sellers compete = lower prices.
 - Buyer demand sets prices.
 - Efficiency is maximized.

Industrial Capitalism

- Innovation and investment creates wealth.
 - Investors use capital to manufacture machines and technology.
 - Machines and technology produce more goods that people want.
 - Investors can get rich.
 - The people get more, cheaper goods.



Industrial Capitalism

- Encourages consumption (people buying stuff they want).
- Encourages risk taking
- Encourages innovation

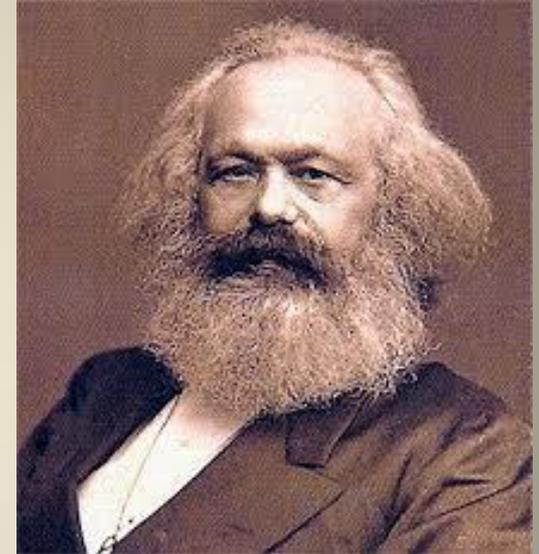
Problems with Capitalism

- Worker exploitation
 - Long hours
 - Poor conditions
 - Child labor
 - Poverty



Karl Marx and Marxism

- Book: *The Communist Manifesto*
- Class struggle is inevitable due to industrialization and capitalism.
 - Capitalism is unnatural
 - It promotes competition instead of working together
- Capitalists get rich and exploit workers.



Karl Marx and Marxism

- The workers should be most valued.
- Sharing all resources (cooperation) was most efficient.
- Industrial workers (the proletariat) would eventually rise up and violently overthrow the capitalists (factory owners/investors).
 - All resources would be shared.
 - No classes (everybody is equal).
 - No need for a government.



Marxism, Communism, Socialism

- Nobody owns anything, everybody owns everything.
- Resources distributed equally.
- All work together.

Responses to Industrialization

Mostly capitalist, a bit socialist.

- U.S. and Britain
- Laws prohibiting child labor, long work days, and unsafe conditions. The government runs and distributes a few things:
 - Mail, schools, some health care.

Responses to Industrialization

Some capitalist some socialist

- Much of Europe
- There is private industry and investment.
- But the government owns some of what is produced.
- Taxes are high.
- The government provides access to services to every person.
 - Universal health care, free day care, high unemployment payments.

Responses to Industrialization

Communist revolutions

- Russia, China, Cuba
- Governments became totalitarian:
 - Governments own all industry
 - No private property
 - Governments heavily involved in all aspects of life.
- Communism on a large scale has always had a totalitarian government.

