

# Capitalism and Socialism

**Grade Level or Special Area:** 6<sup>th</sup> Grade Social Studies

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**Length of Unit:** Six lessons, six to nine class periods (one class period = 65 minutes)

## I. ABSTRACT

Capitalism and socialism are two major economic systems that have led the world in many aspects. Students will be able to gain a greater understanding of the two systems and identify the advantages and disadvantages of both. They will also be able to identify the difference between socialism and communism and how, though similar, have very different methods and ideas. The knowledge of these economic systems will give students knowledge that will help them throughout their study of history, as these specific systems have create nations, destroyed nations, and aided in initiating conflict between nations.

## II. OVERVIEW

### A. Concept Objectives

1. Students will understand the key attributes of capitalism.
2. Students will understand the key attributes of socialism
3. Students will understand cause and effect and how historical events usually have multiple effects, some of which are not recognized until long after the events occur.

### B. Content from the *Core Knowledge Sequence*

1. Sixth Grade History and Geography: World History and Geography, p. 141
  - a. Industrialism, Capitalism and Socialism
    - i. Capitalism
      - a) Adam Smith and the idea of laissez faire vs. government intervention in economic and social matters
      - b) Law of supply and demand
      - c) Growing gaps between social classes: Disraeli's image of "two nations" (the rich and the poor)
    - ii. Socialism
      - a) An idea that took many forms, all of which had in common their attempt to offer an alternative to capitalism
        - i) For the public ownership of large industries, transport, banks, etc., and the more equal distribution of wealth
        - b) Marxism: the Communist form of Socialism
          - i) Karl Marx and Fredrich Engels, The Communist Manifesto: "Workers of the world, unite!"
          - ii) Class struggle: bourgeoisie and proletariat
          - iii) Communists, in contrast to Socialists, opposed all forms of private property

### C. Skill Objectives

1. Students will be able to examine current concepts, issues, events, and themes from multiple, historical perspectives. (History C.S.S. 2.3)
2. Students will be able to describe the general characteristics of economic systems. (History C.S.S. 4.3)
3. Students will be able to describe the basic forms of government and give examples of societies that have practiced them. (History C.S.S. 5.2)

4. Students will be able to compare and contrast various ideas about the purpose of government. (Civics C.S.S. 1.1)
5. Students will be able to describe the different types of government, limited, unlimited, and absence of government. (Civics C.S.S. 1.2)

### III. BACKGROUND KNOWLEDGE

- A. For Teachers
  1. E.D. Hirsch, *Pearson Learning/Core Knowledge: History and Geography*
- B. For Students
  - None

### IV. RESOURCES

- A. *What Your Sixth Grader Needs to Know*, edited by E.D. Hirsch Jr. (Lessons One and Three)

### V. LESSONS

#### Lesson One: What is Capitalism? (one class period of 65 minutes)

- A. *Daily Objectives*
  1. Concept Objective(s)
    - a. Students will understand the key attributes of capitalism.
  2. Lesson Content
    - a. Capitalism
  3. Skill Objective(s)
    - a. Students will be able to examine current concepts, issues, events, and themes from multiple, historical perspectives.
    - b. Students will be able to describe the general characteristics of economic systems.
    - c. Students will be able to describe the basic forms of government and give examples of societies that have practiced them.
- B. *Materials*
  1. Colored pencils (student-provided)
  2. *What Your Sixth Grader Needs to Know* (copies for each student)
  3. One copy of Appendix A: T-chart for Capitalism and Socialism for each student
  4. Appendix A copied onto overhead transparency
  5. Overhead projector
- C. *Key Vocabulary*
  1. *Capitalism* is an economic system based on the private ownership of the means of production and distribution of goods, characterized by a free competitive market and motivation by profit; in other words, an economic system in which money is used to make more money.
  2. *Socialism* is a political theory or system in which the means of production and distribution are controlled by the people and people and operated according to equity and fairness rather than market principles: in other words, a system of government in which owners share profits with workers.
- D. *Procedures/Activities*
  1. This class will be the first time many students hear about Capitalism and Socialism. Often these are difficult concepts to grasp, but with much review and many examples, the processing of this information will be much easier.
  2. On the board as students enter the class, have the following question: *Would it be better to live in a society where everyone was given a share of profits by the owner of the company, made the same amount of money as everyone else, making*

*all people equal or would it be better to live where you can choose what you want to do, everyone makes different amounts of money, and not everyone can afford the same things as everyone else? Explain why you chose the one you did.*

3. After students have had several minutes to write their answers, discuss their answers as a class. The reasons that students give for their choices will be very important to the understanding of Capitalism and Socialism.
  4. Underline the part of the question that represents Socialism in one color and the part that represents Capitalism in another color. Ask students to underline their answer in the color that matches the part of the question that they felt was better.
  5. Provide the definitions for Socialism and Capitalism and have students write these definitions in their notes. If these definitions seem a little too high for the students to understand, reword for better understanding.
  6. Now place the overhead transparency of Appendix A: T-Chart on the projector with Capitalism and Socialism at the top.
  7. Have students take out their *What Your Sixth Grader Needs To Know*. Students will need to pair up to complete the Capitalism half of the T-Chart. Have the pair read page 114, titled Capitalism and Socialism to page 115 (do not read the last two paragraphs on the page). Do not go onto Socialism yet. Instruct students to write the main points of the piece in the Capitalism column.
  8. Once students have finished (only allow a specific amount of time to complete this task), come back together as a class. Have each pair report to the class as a group one thing that they learned from the reading, when that is complete, ask if there is anything that was missed and add those to the chart as well. Charts are to be kept with the students notes.
  9. This chart will be completed later when Socialism is covered.
- E. *Assessment/Evaluation*
1. Completed Capitalism portion of T-chart notes

**Lesson Two: Laissez-Faire–Supply and Demand (one-two class periods of 65 minutes each)**

- A. *Daily Objectives*
1. Concept Objective(s)
    - a. Students will understand the key attributes of capitalism.
    - b. Students will understand cause and effect and how historical events usually have multiple effects, some of which are not recognized until long after the events occur.
  2. Lesson Content
    - a. Adam Smith and the idea of laissez faire vs. government intervention in economic and social matters
    - b. Law of supply and demand
  3. Skill Objective(s)
    - a. Students will be able to examine current concepts, issues, events, and themes from multiple, historical perspectives.
    - b. Students will be able to describe the general characteristics of economic systems.
    - c. Students will be able to describe the basic forms of government and give examples of societies that have practiced them.
    - d. Students will be able to compare and contrast various ideas about the purpose of government.
    - e. Students will be able to describe the different types of government, limited, unlimited, and absence of government.

- B. *Materials*
1. One copy of Appendix B: Adam Smith, Supply and Demand, and Laissez-Faire to every student
  2. One copy of Appendix C: Laissez-Faire Capitalism and Supply and Demand to every student
  3. Appendix D: Laissez-Faire Capitalism and Supply and Demand (teacher only)
- C. *Key Vocabulary*
1. *Capital* is money or property, especially when used to make more money.
  2. *Capitalism* is an economic system in which business is owned by individuals and they are allowed to spend their money as they choose.
  3. *Laissez-faire* is a form of capitalism where the government has no say in the way that the business is run.
- D. *Procedures/Activities*
1. Ask students to recall the discussion about the t-chart in the previous class period. Briefly have students list off items that the students wrote down on their t-chart.
  2. When you have completed the review, pass out a copy of Appendix A to every student. Students will be pair-reading this handout.
  3. Pair reading keeps both students involved and active in their reading as well as their listening.
  4. The two students will decide who is going to read first. The first student reads the first paragraph, then the second student briefly tells the reader what the paragraph meant. The second student then reads the next paragraph and the listener retells what was just read. They continue on taking turns until they have finished reading the entire piece. This method of reading will be an instant comprehension assessment.
  5. As the pairs finish reading, have them get a copy of Appendix C: Laissez-faire Capitalism and Supply and Demand questions. If time allows in class have students finish the questions. Should there not be time, assign the questions as homework.
  6. When the questions are finished, review the answers as a class so that they have so immediate feedback on their questions.
- E. *Assessment/Evaluation*
1. Completed questions from Appendix C

**Lesson Three: Socialism (one class period at 65 minutes)**

- A. *Daily Objectives*
1. Concept Objective(s)
    - a. Students will understand the key attributes of socialism
    - b. Students will understand cause and effect and how historical events usually have multiple effects, some of which are not recognized until long after the events occur.
  2. Lesson Content
    - a. Socialism
      - i. An idea that took many forms, all of which had in common their attempt to offer an alternative to capitalism
      - ii. For the public ownership of large industries, transport, banks, etc., and the more equal distribution of wealth
  3. Skill Objective(s)
    - a. Students will be able to examine current concepts, issues, events, and themes from multiple, historical perspectives.

- b. Students will be able to describe the general characteristics of economic systems.
  - c. Students will be able to describe the basic forms of government and give examples of societies that have practiced them.
  - d. Students will be able to describe the different types of government, limited, unlimited, and absence of government.
- B. *Materials*
- 1. Overhead transparency of t-chart from Lesson One
  - 2. Overhead projector
  - 3. *What Your Sixth Grader Needs to Know* (copies for each student)
- C. *Key Vocabulary*
- 1. *Socialism* is a system of government in which the state controls the economy and runs businesses for the benefit of citizens.
- D. *Procedures/Activities*
- 1. Once again, discuss the definition of capitalism. Ask students if they think that the economic system that we live under today is a good one.
  - 2. Ask students to take out their t-chart on Capitalism and Socialism from the first lesson. They will also need their copy of *What Your Sixth Grader Needs to Know*. Have them turn to page 115 and ask them to start their reading. The next to last paragraph on page 115 is where they should start. As they read, have them fill out the socialism section of the t-chart.
  - 3. Allow a specific amount of time to read and fill out the chart.
  - 4. When the students are finished reading and completing their charts, come back together as a class. Place the t-chart on the overhead that was partial completed in the first lesson.
  - 5. Through class discussion, complete the socialism section of the chart. Have students provide the information to place on the chart.
  - 6. When you are done, students should have a completed t-chart with details about the ideas behind capitalism and socialism.
  - 7. If time allows review the entire chart with the students. Ask specific question that are focused on what you have been discussing while completing the chart.
  - 8. This is an activity that will probably take the entire class period.
- E. *Assessment/Evaluation*
- 1. Provide participation points for completion of the chart or just allow that through the discussion has assessed their knowledge.

**Lesson Four: For Richer or Poorer (one - two class periods of 65 minutes)**

- A. *Daily Objectives*
- 1. Concept Objective(s)
    - a. Students will understand cause and effect and how historical events usually have multiple effects, some of which are not recognized until long after the events occur.
  - 2. Lesson Content
    - a. Growing gaps between social classes: Disraeli's image of "two nations" (the rich and the poor)
  - 3. Skill Objective(s)
    - a. Students will be able to examine current concepts, issues, events, and themes from multiple, historical perspectives.
    - b. Students will be able to describe the general characteristics of economic systems.

- c. Students will be able to describe the basic forms of government and give examples of societies that have practiced them.
  - d. Students will be able to describe the different types of government, limited, unlimited, and absence of government.
- B. *Materials*  
None that need to be listed
- C. *Key Vocabulary*  
Vocabulary from previous lessons, if necessary
- D. *Procedures/Activities*
1. This lesson will be used as a review and provide time to discuss the advantages and disadvantages of capitalism and socialism.
  2. When students enter the room have the following question on the board: What do you think are the advantages and disadvantages of capitalism and the advantages and disadvantages of socialism? Use your t-chart to help.
  3. Tell them that all was not well with capitalism. Ask if they know what a major problem was/is. (*Hopefully someone will say that many people were poor or worked in harsh conditions. If the statement about the very rich comes up, this will also lend to starting the conversation.*)
  4. Now, provide the following notes (do this in any manner that works best for you and your students):
    - a. Capitalism
      - i. There were three classes during the Industrial Revolution; this was the era when capitalism was really starting to thrive.
      - ii. There were three main classes: middle, upper, and poor.
      - iii. The upper class, owned the factories and businesses, probably had many servants, and maybe someone to manage their finances. They would have a lot of leisure time, which might be spent entertaining, visiting with friends, going horseback riding, or traveling overseas. And after paying all of their bills and investing in other ventures, there would still be more than enough money for them to live very well.
      - iv. Middle class is another group that appeared during this time. They were usually shopkeepers, lawyers, doctors (of wealthy patients), or skilled craftsmen, such as a tailors or clockmakers. In these positions, they might still have a few servants, but not be able to do what ever they wanted to do like the upper class. Instead, they worked very hard to serve the needs of their customers and probably worked with their hands. There would be enough leisure time to pursue a hobby or read. They had time to meet with their friends, travel to the seaside by train, or take a walk in the country.
      - v. The final group was the poor. This class made up 80 percent of all of the people in the nineteenth century. They had very little leisure time; most were worried about putting food on their table. Most families did not focus on their children getting an education, instead many prevented their children from going to school, so that they could work and help add to the terrible income that their parents were making. The poor did have a very few forms of distraction from the stresses that they experienced. They would attend church, if they were not too tired, they would make little toys, crochet items to use or give away. Due to the

small size of their apartments, the poor would meet their friends in the local taverns. Carnivals, circus acts, traveling shows, visits to local zoos or parks with merry-go-rounds, ball games, or afternoons at nearby parks or riversides were the main releases for the poor. When the electric light was introduced, nighttime sporting events began to become a great draw for the poor. They made little money; therefore, anything they did for “fun” would have to be very inexpensive or free. Unfortunately, the lack of money also increased the amount of crime. Stealing food or clothing seemed an easier way to make it.

- vi. These problems were outlined and the largest problem involved with capitalism. Benjamin Disraeli, Prime Minister of Great Britain, wrote novels about this great inequality. His novel *Sybil; or The Two Nations* described in detail the great gap between the rich and the poor. He stated that the two groups knew nothing about how the other lived. They did not know of each other’s daily habits, thoughts, feelings. They seemed to be from different planets, had different manners and were not governed by the same laws.

b. Socialism

- i. People that believed in socialism saw this separation in the classes and felt that this was not the way the economy should function.
- ii. Socialists argued that most of the wealth should be divided equally among all the people. Not left in the hands of the privileged class or group. They felt that capitalism in its pure form caused great harm.
- iii. To repair capitalism, the owners would have to share their profit with their workers; this in reality would be something that they would have to be forced to do.
- iv. They believed that making the current classes equal would not only provide equal living conditions, working conditions, and wages, but would also ideally eliminate crime.
- v. Socialists’ ideal perspective on this economic system was that if everyone is equal then there would not be any theft, murder, embezzlement, and other crimes that stem from great inequalities that arise between two classes that are so separate.
- vi. Within their socialistic model, they did not take into account human nature.

- 5. Upon completion of taking notes, have students create the following chart, in which to organize their information from the notes more effectively.
- 6. Have students take out their capitalism and socialism t-chart to use and add notes when necessary.
- 7. The student chart should look like this:

	advantages	disadvantages
capitalism		
socialism		

8. Give the students a specific time frame in which to complete this list. Give them a time frame in which you expect them to complete this chart.
  9. You can now create the same chart on the board so that you can make sure that everyone has the same information.
  10. Start with capitalism and discuss the items that they have on their charts. Fill out the chart on the board. If there is a questionable addition, discuss the item as a class and determine if it in fact does belong in the area they suggested.
  11. Continue until the entire chart is completed.
- E. *Assessment/Evaluation*
1. Note taking and class discussion. Assign points for the class participation if you choose.

**Lesson Five: Marx and Engels *The Communist Manifesto* (one – two class periods of 56 minutes each)**

- A. *Daily Objectives*
1. Concept Objective(s)
    - a. Students will understand the key attributes of socialism
  2. Lesson Content
    - a. Marxism: the Communist form of Socialism
      - i. Karl Marx and Fredrich Engels, *The Communist Manifesto*: “Workers of the world, unite!”
    - b. Class struggle: bourgeoisie and proletariat
  3. Skill Objective(s)
    - a. Students will be able to examine current concepts, issues, events, and themes from multiple, historical perspectives.
    - b. Students will be able to describe the general characteristics of economic systems.
    - c. Students will be able to describe the basic forms of government and give examples of societies that have practiced them.
- B. *Materials*
1. One copy of Appendix E: Karl Marx and Fredrich Engels for each student
  2. Appendix F: Karl Marx and Fredrich Engels- teacher copy
  3. One copy of Appendix G: Marx, Engels, and The Communist form of Socialism for each student
  4. Appendix H: Marx, Engels, and The Communist form of Socialism KEY
  5. Student-provided highlighters
- C. *Key Vocabulary*
1. A *Proletarian* is a worker, in Ancient Rome it referred to citizens without property of their own.
- D. *Procedures/Activities*
1. Provide a copy of Appendix E to every student. Have the students take out their highlighters.
  2. Tell the students that they are going to read a handout about Karl Marx and Fredrich Engels. They were both very interested in the idea of socialism.
  3. Ask students to identify the key components of socialism. This information is to be based on the notes that they have on their t-chart.
  4. Explain to students that they will be reading the handout and highlighting only the main ideas of the text. Remind them that the main ideas are only those items that are part of the “big picture.”

5. Depending on what will work best for you and your students, this activity can be done individually or in pairs or groups. It is up to you and your teaching style.
  6. As students start reading, be sure to travel the room and make sure that they are highlighting the main ideas.
  7. When they are finished reading, provide a copy of Appendix G to each student. These questions will be answered and are based on the main ideas from Appendix F (the teacher's copy). Appendix F is the same as Appendix E except the important main ideas for this lesson are underlined/highlighted.
  8. Appendix G can be used as an assignment that you grade or review the answers with the class and give participation points when they hand it in corrected and complete.
- E. *Assessment/Evaluation*
1. Assessment is the highlighted text and the completed questions.

**Lesson Six: Socialism and Communism, What is the Difference? (one class period of 65 minutes)**

- A. *Daily Objectives*
1. Concept Objective(s)
    - a. Students will understand the key attributes of capitalism.
    - b. Students will understand the key attributes of socialism
    - c. Students will understand cause and effect and how historical events usually have multiple effects, some of which are not recognized until long after the events occur.
  2. Lesson Content
    - a. Communists, in contrast to Socialists, opposed all forms of private property
  3. Skill Objective(s)
    - a. Students will be able to examine current concepts, issues, events, and themes from multiple, historical perspectives.
    - b. Students will be able to describe the general characteristics of economic systems.
    - c. Students will be able to describe the basic forms of government and give examples of societies that have practiced them.
    - d. Students will be able to compare and contrast various ideas about the purpose of government.
    - e. Students will be able to describe the different types of government, limited, unlimited, and absence of government.
- B. *Materials*
1. One copy of Appendix I: *Communism vs. Socialism* for every student
  2. One copy of Appendix J: Communism and Socialism T-Chart for every student
  3. Highlighters – student-provided
- C. *Key Vocabulary*
1. The political theory or system in which all property and wealth is owned in a classless society by all the members of a community is known as *communism*.
  2. *Socialism* is a political theory or system in which the means of production and distribution are controlled by the people and operated according to equity and fairness, rather than market principles.
- D. *Procedures/Activities*
1. Start the class with the question: What is capitalism? *Capitalism is the economic practice where people have the ability to own their own business and spend their*

*money any way they want too. What is socialism? Socialism is when the government runs the businesses to benefit the citizens.*

2. Tell the students that now you are adding another type of economy. Ask: Have you ever heard of communism? *Student answers will vary. Correct answers are not what is important right now, just the fact that they are thinking about the topic will do.*
  3. Provide a copy of appendix I to every student. Have students work together in pairs. Have them take turns reading and then restating to their partner. When one has finished reading a paragraph then both students will highlight the facts about socialism within the text. The pair then continues to take turns reading the text, restating the text and then both will highlight the facts.
  4. When the two students reach the section on communism, have them highlight in a second color. They are to keep going until they finish the piece of text.
  5. When they have finished reading, and highlighting the text, instruct the students to complete the t-chart from Appendix J.
  6. This pair activity will build their reading strength, as well as enabling them to help each other gather the necessary facts to complete their t-charts.
  7. The completion of the chart should be easy, since they have already highlighted all of the facts that they will need.
  8. Once they have finished, review the t-chart as a class. Make sure that every student has a complete t-chart for socialism and communism. At the same time, re-check the t-chart for capitalism and socialism.
- E. *Assessment/Evaluation*
1. Completed t-chart is the assessment for this lesson

## **VI. CULMINATING ACTIVITY**

- A. Have students take out both of their t-charts. This assignment will be comparing and contrasting capitalism and socialism. Within this comparison, students should also include some information on communism. Requirements for this essay should be based on the t-charts that have previously been completed.

## **VII. HANDOUTS/WORKSHEETS**

- A. Appendix A: T-Chart for Capitalism and Socialism (Lesson One)
- B. Appendix B: Adam Smith, Supply and Demand, and Laissez- Faire (Lesson Two)
- C. Appendix C: Laissez-Faire Capitalism and Supply and Demand (Lesson Two)
- D. Appendix D: Laissez-Faire Capitalism and Supply and Demand (teacher only) (Lesson Two)
- E. Appendix E: Karl Marx and Fredrich Engels (Lesson Five)
- F. Appendix F: Karl Marx and Fredrich Engels- teacher copy (Lesson Five)
- G. Appendix G: Marx, Engels, and The Communist form of Socialism (Lesson Five)
- H. Appendix H: Marx, Engels, and The Communist form of Socialism KEY (Lesson Five)
- I. Appendix I: Communism vs. Socialism (Lesson Six)
- J. Appendix J: Communism and Socialism T-Chart (Lesson Six)
- K. Appendix K: Capitalism and Socialism Final Assessment

## **VIII. BIBLIOGRAPHY**

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Appendix A

**T= Capitalism and Socialism**

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**\* CAPITALISM**

**\* SOCIALISM**

## Adam Smith, Supply and Demand, and Laissez-Faire

Adam Smith was the son of the controller of the customs in Scotland. At the age of about fifteen, Smith attended the University of Glasgow to study moral philosophy. There Smith developed his strong passion for liberty, reason and free speech. In his middle or late 20s, he first expounded the economic philosophy of "the obvious and simple system of natural liberty" which he later proclaimed to the world in his *Inquiry into the Nature and Causes of the Wealth of Nations*. His lectures covered the fields of ethics, rhetoric, jurisprudence (the philosophy or science of law), political economy, and "police and revenue."

Smith now began to give more attention to jurisprudence and economics in his lecture and less to his theories of morals. His ideas on political economy from the notes of his lectures taken down by a student in about 1763, describes as "An Early Draft of Part of The Wealth of Nations", which he dates about 1763.

At the end of 1763, Smith obtained a lucrative post as tutor to a young Duke, and resigned his professorship. On returning home to Scotland he devoted much of the next ten years to his magnum opus (a great work of art or literature, especially the finest produced by one individual), *An Inquiry into the Nature and Causes of the Wealth of Nations*, which appeared in 1776. It was very well received and popular, and Smith became famous. In 1778, he was appointed to a comfortable post as commissioner of customs in Scotland and went to live with his mother in Edinburgh. He died there on July 17, 1790, after a painful illness. He had apparently devoted a considerable part of his income to numerous secret acts of charity.

Shortly before his death, Smith had nearly all his manuscripts destroyed. In his last years he seemed to have been planning two major treatises (a formal written work that deals with a subject systematically and extensively), one on the theory and history of law and one on the sciences and arts.

*The Wealth of Nations* was influential since it did so much to create the field of economics and develop it into a systematic discipline. In the Western world, it is considered the most influential book on the subject ever published. When the book was written, there was a strong sentiment for free trade in both Britain and America. This new feeling had been born out of the economic hardships and poverty caused by the war. However, at the time of publication, not everybody was immediately convinced of the advantages of free trade: the British public and Parliament still clung to the old system of mercantilism for many years to come.

*The Wealth of Nations* also rejects the emphasis on the importance of land; instead, Smith believed labor was more important, and that a division of labor would affect a great increase in production. *Nations* was so successful, in fact, that it led to the abandonment of earlier economic schools, and later economists focused on refining Smith's theory into what is now known as classical economics. Today's modern economics evolved from this. Others expanded Smith's ideas of over-population. It was called the "iron law of wages": meaning that overpopulation would prevent wages from topping the sustaining level. Smith saw the idea more like, the increase in wages would then amount to an increase in population. This idea is much more accurate today.

## Appendix B, page 2

One of the main points of *The Wealth of Nations* is that the free market, while it seems chaotic and unrestrained, is actually guided to produce the right amount and variety of goods by a so-called “invisible hand.” If a product shortage occurs, for instance, its price rises, creating a profit margin that creates an incentive for others to enter production, eventually curing the shortage. If too many producers enter the market, the increased competition among manufacturers and increased supply would lower the price of the product to its production cost. Smith believed that while human motives are often selfish and greedy, the competition in the free market would tend to benefit society as a whole by keeping prices low, while still building in an incentive for a wide variety of goods and services.

This is known as supply and demand. Demand is that quantity of a good that consumers are not only willing to buy but also have the capacity to buy at the given price. For example, a consumer may be willing to purchase 2 lbs of potatoes if the price is \$0.75 per lb. However, the same consumer may be willing to purchase only 1 lb if the price is \$1.00 per lb. Supply is the quantity that producers are willing to sell at a given price. For example, the potato grower may be willing to sell 1 million lbs of potatoes if the price is \$0.75 per lb and much more if the market price is \$0.90 per lb

Smith described this balance in economic relations as wonderful. He also felt that no one should interfere with this natural balance between supply and demand. Smith was truly against anything that gave one person an unfair advantage over another. The idea that the government should keep its hand out of the trade situation is known as “laissez-faire.”

Government should not make laws or rules that dictate how the economy is to be run. Adam Smith’s book *The Wealth of Nations* argued that this was the best way to run the economy. Many people felt that he was right and some of the old laws that controlled prices, etc, were abolished.

Unfortunately, harsh conditions developed because of “laissez-faire.” The employers fought hard against laws being created that would control the conditions and employee worked in and wages, which an employee was paid. So for obvious reasons “laissez-faire” was more popular with the employers than the employees.

## Laissez-Faire Capitalism and Supply and Demand

Directions: Answer the following questions in complete sentences and include details from the text. Additional information can be found in your textbook.

- 1) Who owned the factories?
- 2) Explain who made the money from a business.
- 3) Describe the governmental control over business and economics.
- 4) Identify the advantages of this type of an economy.
- 5) Identify the disadvantages to this type of an economic system.
- 6) When demand is high and supply is low (not much product available) prices will be \_\_\_\_\_.
- 7) When demand is low and supply is high (plenty of product available), prices will be \_\_\_\_\_.
- 8) Diamond mines might be full of diamond, but the owners will only sell a limited number of the stones every year. Explain why the owners want to limit the supply available for sale and describe what would happen if diamonds became as commonplace as ordinary quartz.
- 9) The demand for a product can be based on many factors. One such factor can be climate.
  - a. How can climate affect what items are in demand?  

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  - b. Spend a moment and think about items that are in demand in your area, list at least four items that are in demand in your area, based on climate, for the current time of year.  

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### **Appendix C, page 2**

- 10) Explain whether the economy in the United States is more or less laissez-faire like than the economies used to be.
- 11) Imagine that you are Adam Smith. Write a short paragraph in which you are attempting to persuade people that the laissez-faire economy is the better way to go.

## Laissez-Faire Capitalism and Supply and Demand

### KEY

Directions: Answer the following questions in complete sentences and include details from the text. Additional information can be found in your textbook.

- 1) Who owned the factories?  
**Factories were general owned by the individual that had the money to start the business and run it. Within the economy, anyone who has enough money can choose to start a business if they choose.**
- 2) Explain who made the money from a business.  
**The owner of the business made the greatest amount of money from the business, but only after wages, bills, etc. were paid.**
- 3) Describe the governmental control over business and economics.  
**In a truly laissez-faire economy the government didn't have any control over businesses and the economy, in fact, in many cases they government did away with pre-existing rules for business.**
- 4) Identify the advantages of this type of an economy.  
**Advantages of the laissez-faire economy are that an individual can spend the money they make however they want, with little regulation. If they want to start a business they can, if they want to spend it they may, etc.**
- 5) Identify the disadvantages to this type of an economic system.  
**The main disadvantages of this economic system are mainly that there are no controls over the wages that are paid to the workers, no regulations on working conditions, and hours worked when the government stays totally out of the workings of the businesses.**
- 6) When demand is high and supply is low (not much product available), prices will be \_\_\_\_\_ **high** \_\_\_\_\_.
- 7) When demand is low and supply is high (plenty of product available), prices will be \_\_\_\_\_ **low** \_\_\_\_\_.

## Appendix D, page 2

- 8) Diamond mines might be full of diamond, but the owners will only sell a limited number of the stones every year. Explain why the owners want to limit the supply available for sale and describe what would happen if diamonds became as commonplace as ordinary quartz.

**Owners will want to limit the supply of diamonds to keep the demand up, therefore the price stays high.**

- 9) The demand for a product can be based on many factors. One such factor can be climate.  
a. How can climate affect what items are in demand?

**If a climate is warm most of the year and near the ocean, the demand for swimsuits will be high, but if you are in Canada and it is mostly cold or cool there, then the demand for coats or jackets will be in high demand.**

- b. Spend a moment and think about items that are in demand in your area, list at least four items that are in demand in your area, based on climate, for the current time of year.

**Based upon where you live and the time of year that this unit is being delivered will determine what answers you will accept. Accept all answers that are within reason and apply to your area.**

- 10) Explain whether the economy in the United States is more or less laissez-faire like than the economies used to be.

**The United States is not a laissez-faire economy, because we now have government regulations that determine the minimum wage, guidelines for safe working conditions, and have other guidelines that provide some continuity within the business world.**

- 11) Imagine that you are Adam Smith. Write a short paragraph in which you are attempting to persuade people that the laissez-faire economy is the better way to go.

**Student answers will definitely vary. Accept any paragraph that answers the prompt and provides details and examples to support what they have written.**

## Karl Marx and Fredrich Engels

Friedrich Engels was the eldest son of a successful German industrialist, born in Barmen on 28th November 1820. As a young man, his father sent him to England to help manage his cotton-factory. Engels was shocked by the poverty in the city and began writing an account that was published.

At twenty-four, Engels began contributing pieces of writing to a radical journal that was being edited by Karl Marx. Later that year Engels met Marx and the two men became close friends. Engels and Marx's shared the same views on capitalism and after their first meeting, he wrote that there was virtually "complete agreement in all theoretical fields." The two men decided to work together and it was a good partnership. Engels had the ability to write for a mass audience and Marx had a great ability for working in the abstract.

While working on their first article together the Prussian authorities put pressure on the French government to expel Karl Marx from the country. In January 1845, Marx was deported from France. Both men decided they should to move to Belgium, a country that permitted greater freedom of expression than any other European state.

To allow Marx more time to study and develop his economic and political theories, Engels helped to support Marx financially. Royalties from Engels book went to Marx, as well and donations from sympathizers.

Engels took Marx to England and the two spent time in the Manchester Library consulting books and meeting members of another political group. Upon their return home, they set up a Communist Correspondence Committee with the intention of linking together other socialist leaders that lived all over Europe. A new organization was formed out of this alliance called the Communist League, Engels attended and participated in developing a strategy of action.

At the meeting, a decision was made to the overthrow "the bourgeoisie, the domination of the proletariat, the abolition of the old bourgeois society based on class antagonisms, and the establishment of a new society without classes and without private property".

The two men started writing a pamphlet that was 12,000 words and finished in six weeks. Based on Engels *Principles of Communism*, it was a more accessible method of spreading the ideology of communism. Written in terminology that the mass audience could understand *The Communist Manifesto* summarized a revolution that was to come soon and describe the communist society that would be developed by the proletariat.

*The Communist Manifesto* starts with the idea that "The history of all hitherto existing society is the history of class struggles." Marx and Engels argued that if you are to understand human history you must see it as the story of the struggle between social classes. They explained that social classes had changed over time, but in the 19th century, the most important classes were the bourgeoisie and the proletariat. Marx and Engels said the term 'bourgeoisie' meant the owners of the factories and the raw materials which are processed in them. The proletariat, in contrast, owned very little and had to sell their labor to the capitalists.

## Appendix E, page 2

The belief that these two classes were not only different from each other but their interests were different as well increased the idea that the class conflict would eventually end in a revolution. Both men felt that the bourgeoisie would wither away, and the proletariat would win.

The month after *The Communist Manifesto* was published in 1848, Engels and Marx were thrown out of Belgium. Before moving to Cologne, the two men visited Paris and founded a radical newspaper that they used to encourage the revolutionary atmosphere the two witnessed in Paris.

When several leaders of a group that Engels belonged too were arrested, Engels escaped, but was forced out of the country. Marx continued to write until he too was expelled. The two move to London and the British government was pressured to throw them out. With liberal view on freedom of expression, the Prime Minister refused. Engel continued to raise money, but the Marx family lived in extreme poverty due to the small amount he could raise.

Engels decided that the only way to help Marx with income was to return to work for his father in Germany. Engels sent money to Marx for the next twenty years and kept in constant contact for the same time period. They wrote to each other on an average once every two days. Through this, the Marx family survived.

Karl Marx died in 1883, Fredrich Engels translated and edited his writings until his death in 1895.

## Karl Marx and Fredrich Engels Teacher Copy (KEY)

Friedrich Engels was the eldest son of a successful German industrialist, born in Barmen on 28th November 1820. As a young man, his father sent him to England to help manage his cotton-factory. Engels was shocked by the poverty in the city and began writing an account that was published.

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At the meeting, a decision was made to "overthrow the bourgeoisie, the domination of the proletariat, the abolition of the old bourgeois society based on class antagonisms, and the establishment of a new society without classes and without private property".

The two men started writing a pamphlet that was 12,000 words and finished in six weeks. Based on Engels *Principles of Communism*, it was a more accessible method of spreading the ideology of communism. Written in terminology that the mass audience could understand *The Communist Manifesto* summarized a revolution that was to come soon and describe the communist society that would be developed by the proletariat.

*The Communist Manifesto* starts with the idea that "The history of all existing society is the history of class struggles. This document advocated the overthrow of capitalism. "Marx and Engels argued that if you are to understand human history you must see it as the story of the struggle between social classes. They explained that social classes had changed over time, but in the 19th century, the most important classes were the bourgeoisie and the proletariat. Marx and Engels said the term 'bourgeoisie' meant the owners of the factories and the raw materials which are processed in them. The proletariat, in contrast, owned very little and had to sell their labor to the capitalists.

## Appendix F, page 2

The belief that these two classes were not only different from each other but their interests were different as well increased the idea that the class conflict would eventually end in a revolution. Both men felt that the bourgeoisie would wither away, and the proletariat would win. The month after *The Communist Manifesto* was published in 1848, Engels and Marx were thrown out of Belgium. Before moving to Cologne, the two men visited Paris and founded a radical newspaper that they used to encourage the revolutionary atmosphere the two witnessed in Paris.

When several leaders of a group that Engels belonged too were arrested, Engels escaped, but was forced out of the country. Marx continued to write until he too was expelled. The two move to London and the British government was pressured to throw them out. With liberal view on freedom of expression, the Prime Minister refused. Engel continued to raise money, but the Marx family lived in extreme poverty due to the small amount he could raise.

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Karl Marx died in 1883, Fredrich Engels translated and edited his writings until his death in 1895.

## Appendix G

# Marx, Engels, and the Communist Form of Socialism

Name: \_\_\_\_\_ Date: \_\_\_\_\_

Directions: On a separate sheet of paper, answer the following questions in complete sentence t that include details and examples from the text.

- 1) Describe how Karl Marx and Fredrich Engels met and why they became such close friends.
- 2) Karl Marx was forced to leave France in 1845, explain why you think that the authorities wanted him to leave.
- 3) Tell what group Marx and Engels created and explain the purpose of that group.
- 4) The *Communist League* had a meeting to decide upon a strategy, describe what that strategy was.
- 5) Explain what the *Communist Manifesto* was and why it was important.
- 6) Describe what the result of writing *The Communist Manifesto* was for Marx and Engels.
- 7) Explain what kind of life Karl Marx lived.
- 8) Why do you think Fredrich Engels ended his life the way he did? Explain

## Marx, Engels, and the Communist Form of Socialism

### KEY

Name: \_\_\_\_\_ Date: \_\_\_\_\_

Directions: On a separate sheet of paper, answer the following questions in complete sentences that include details and examples from the text.

- 1) Describe how Karl Marx and Friedrich Engels met and why they became such close friends.  
**Engels met Karl Marx when he started writing for a radical journal that, at that time, Karl Marx was editing. The two men became close friends because they shared the same views on capitalism and were virtually "in complete agreement in all theoretical fields"**
  
- 2) Karl Marx was forced to leave France in 1845, explain why you think that the authorities wanted him to leave.  
**The authorities in France forced Karl Marx to leave, because he was writing material that spoke out against the current form of government and probably caused others to speak out against the same things as well.**
  
- 3) Tell what group Marx and Engels created and explain the purpose of that group.  
**Marx and Engels created the *Communist Correspondence Committee* and their main goal was to link the socialist leaders together that were spread out all over Europe.**
  
- 4) The *Communist League* had a meeting to decide upon a strategy, describe what that strategy was.  
**The main goal of the Communist League was to overthrow the bourgeoisie, the domination of the proletariat, the abolition of the old bourgeois society based on class antagonisms, and the establishment of a new society without classes and without private property.**
  
- 5) Explain what the *Communist Manifesto* was and why it was important.  
**The *Communist Manifesto* was a document that was written so that the majority of people would understand the ideas contained within it. Its main ideas were that history of and society was just a history of class struggles and that the only way to eliminate these struggles was to create a system where there was no class system and everyone was essentially the same. The importance of this document is the fact that it is documented for a government that has actually been put into practice several times throughout history.**

## Appendix H, page 2

- 6) Describe what the result of writing *The Communist Manifesto* was for Marx and Engels. **The writing of *The Communist Manifesto* plays a large role in history, but for the two men involved it caused them to once again be thrown out, this time out of Belgium. They originally moved there since it was know for its greater freedom of speech and ideas.**
- 7) Explain what kind of life Karl Marx lived. **Karl Marx lived in poverty for the cause that he fought for and his survival was based only on the support that he received from others. His writings were his life and they were what was most important.**
- 8) Why do you think Fredrich Engels ended his life the way he did? Explain **This answer will be based on opinion. Be sure to accept any answer as long as it is backed by examples to support the students' idea.**

## Appendix I

# Communism vs. Socialism

"Communism" and "socialism" are words that most people have used, but probably not understood. When we hear them, we have a vision of an oppressive, totalitarian regime that ruthlessly wields power over its people in order to create a worldwide evil empire. In fact though these two words represent two separate ideas, that have a relationship that instead of, being separate as they should be are thought to be synonymous. Communism and socialism share certain ideas, but they are not interchangeable terms that can be used to explain the same system.

To illustrate this idea, use the terms 'Catholic' and 'Christian'. Both share ideas and a basic belief system, but saying that they are the same is incorrect. For example, a person could say that the Pope is Christian, but can you say that Billy Graham is Catholic? No, because the two groups have specific issues that are different from the others.

Both believe in the Bible, the resurrection of Jesus Christ and an all-powerful God, but many Christians do not agree with praying directly to saints, telling priests their sins for absolution, nor infant baptisms. This means that we can say that all Catholics are Christians, not all Christians are Catholics. This is the same for socialism and communism.

"Communism" is a narrower and more specific definition of "socialism."

Socialism came about in the late 18<sup>th</sup> century reacting to liberalism and its emphasis on competition. Socialism thought that the idea of a strong, unified government was desirable, but that the competition created inequalities were not. The two classes, the Bourgeoisie (upper class that controls the government, economy, and all of society through their wealth and influence), and the Proletariat (the lower class of society – the basic workers – underpaid and mistreated because of capitalism) divided modern society.

Socialists' core belief is that humans thrive or die depending on their social relations and that all of our actions are shaped and determined by the social structure. As we know, social structure is, usually determined by wealth. Where private property is concerned socialists feel that everything produced in society is a "social product," and that without society that product could not have been produced. So if one class is wealthier, then the product is distributed unevenly, which causes tensions between the classes, creating a breakdown in social relations. This means that the socialists believe that there must be equalization between the classes, by having a single class that is neither superior nor inferior to any other.

Communism shares many of these same ideas, but takes an unquestionable position on several key issues. Socialists push for a gradual change, whereas communists are willing to support an armed, open rebellion. They believe that an all-powerful government that has total power and control over its people (the economy, the media, education, industry, etc.) should be how their system is run. Traditional morals and ethics are viewed as nothing but tools to control the poor and keep them in line. In revolution, the ends justify the means.

Although communism has ideas that are descendent from socialism, it is much more harsh and negative than socialism.

Appendix J  
**Communism and Socialism T-Chart**

**COMMUNISM VS. SOCIALISM**

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\* COMMUNISM

\* SOCIALISM

## Appendix K

# Capitalism and Socialism Final Assessment

Directions: On separate sheets of paper, create a graphic organizer on one piece of paper and write your essay on the other sheets. You will be writing an essay that demonstrates your knowledge of the economic systems that you just studied.

Capitalism and Socialism are two very important economic systems. Write an essay in which you identify and explain the key ideas, key people, and advantages and disadvantages of both capitalism and socialism. Within your essay, include why the system was successful or why it was unsuccessful. Explain the original intentions of these systems and what led up to their creation.

Essay will be graded on:

- 1) Use of information presented during this unit.
- 2) Explanation of the economic systems
- 3) Incorporation of advantages and disadvantages into essay
- 4) Ideas presented by key people involved with capitalism and socialism