

Warm-Up

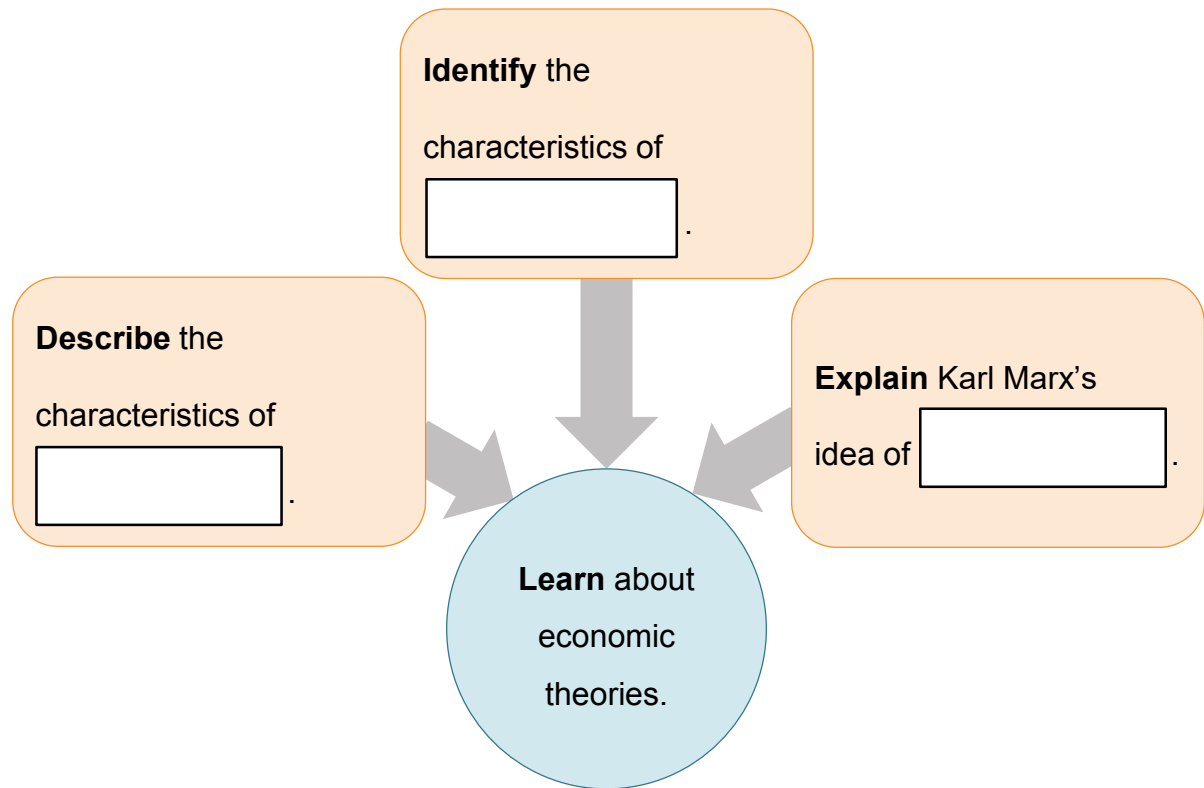
New Economic Theories



Lesson Question



Lesson Goals



Words to Know

Write the letter of the definition next to the matching word as you work through the lesson. You may use the glossary to help you.

- | | |
|---------------------|---|
| _____ proletariat | A. economic policy that allows businesses to run with little interference from the government |
| _____ minority | B. a term used to identify the working class in industrial societies |
| _____ laissez-faire | C. a group that represents less than half of a population |

Warm-Up

New Economic Theories

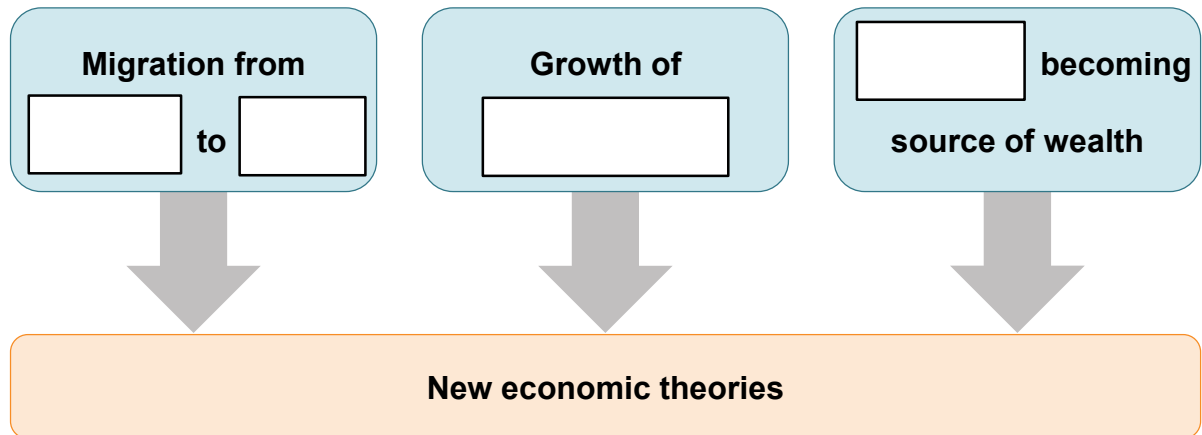
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Words to Know

- | | |
|---------------------------|--|
| _____ exploit | A. the raw materials, factories, tools, and machines used in the production process |
| _____ means of production | B. to unfairly use someone or something for benefit |
| _____ capitalism | C. economic theory that stresses government management of the production and distribution of goods |
| _____ socialism | D. economic system in which a country's industry and trade are controlled by private owners and not the government |



The Industrial Revolution



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Slide

2

Capitalism

| Private Ownership | Free Market |
|--|---|
| <ul style="list-style-type: none"> The <input type="text"/> – farms, factories, and businesses – are owned by <input type="text"/>. | <ul style="list-style-type: none"> <input type="text"/> and <input type="text"/> determine which goods – and how many – are produced. Supply and demand determine <input type="text"/> and <input type="text"/>. The government's role in the economy is <input type="text"/>. |

Adam Smith (1723–1790)

- Is regarded as one of the most influential in history
- Wrote *The of Nations*
- Promoted capitalism

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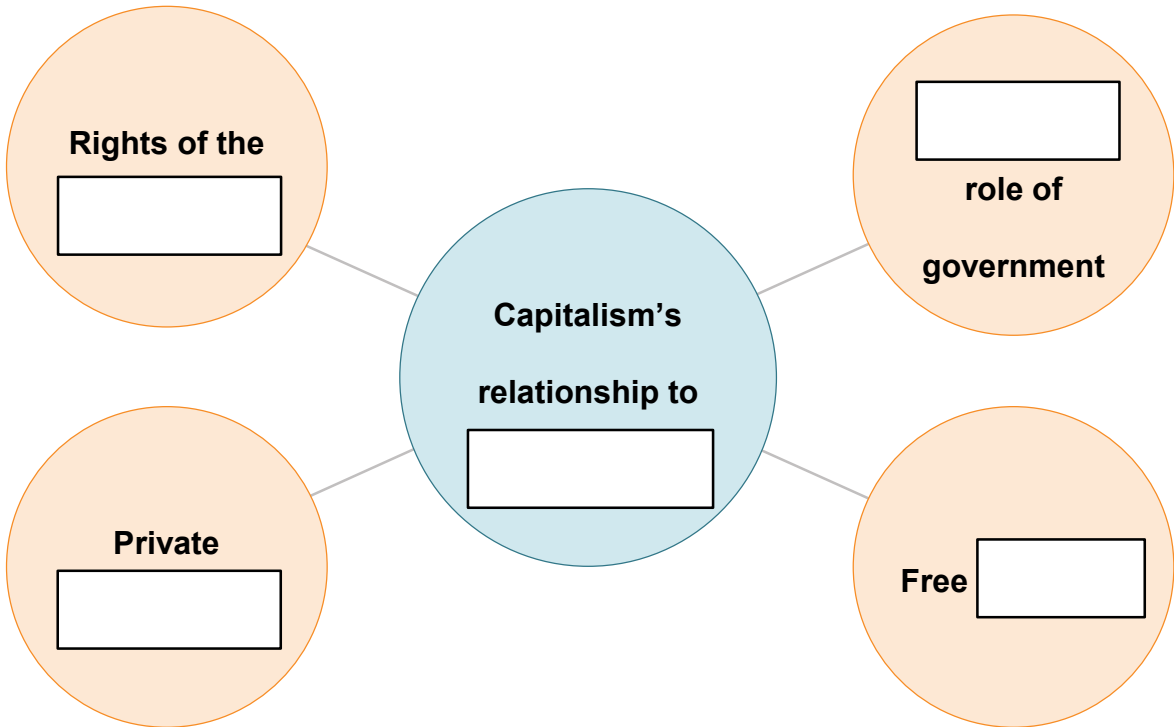
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The Wealth of Nations

| Self-Interest | Competition | Laissez-faire |
|--|---|--|
| <ul style="list-style-type: none">Individuals and businesses want what <input type="text"/> them most. | <ul style="list-style-type: none">Businesses will <input type="text"/> to make their prices attractive. | <ul style="list-style-type: none">Government should not set <input type="text"/> or <input type="text"/>.There should be no barriers to <input type="text"/>. |

7

Capitalism and Democratic Ideals



Slide

7

Problems of Laissez-Faire Capitalism

Without government , businesses were free to make as much profit as possible with little concern for .

- Vast developed between owners and workers in standards of living.
- Companies used business practices.
- Workers were .
- Working conditions were .
- No help was available for the or those killed or on the job.

9

Utopianism

Reformer Robert Owen tried to create a model society. He:

- based his ideas on ideals.
- built and housing for his workers and their living conditions.
- founded New Lanark in Scotland and in the US.

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9

Socialism

| Distribution of wealth | Government control of means of production |
|---|--|
| <ul style="list-style-type: none"> The country's wealth is distributed <input type="text"/> among society. | <ul style="list-style-type: none"> The <input type="text"/> should own factories and other means of production. The government should also own railroads, mines, and other key <input type="text"/>. |

11

Karl Marx (1818–1883)

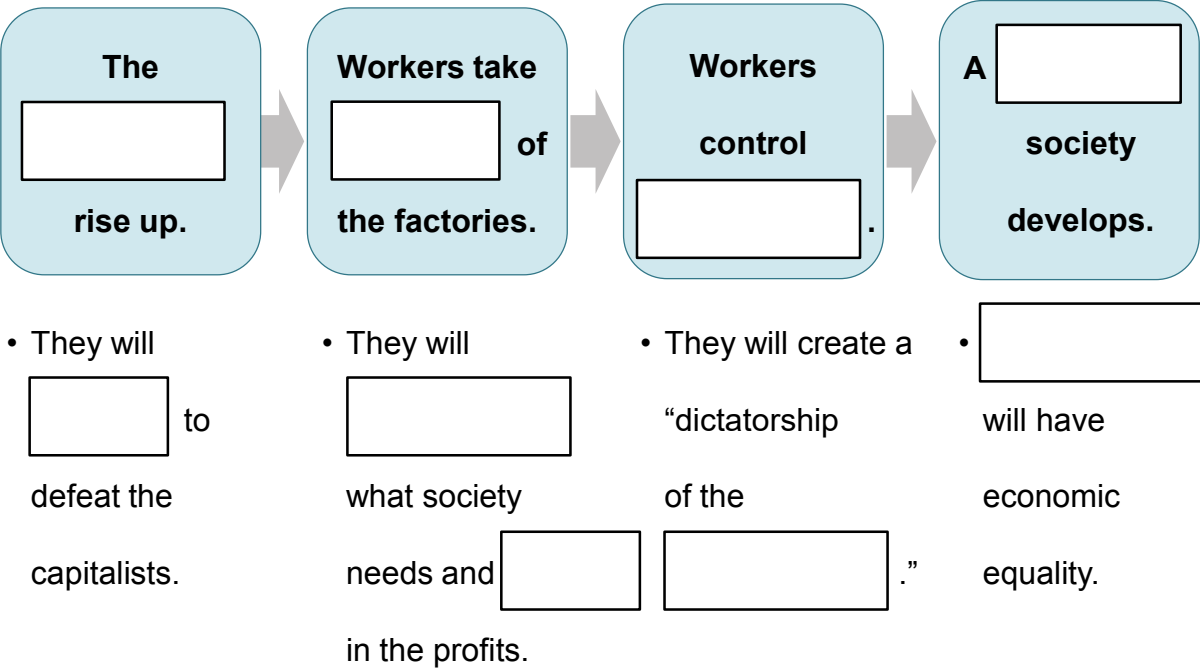
- Was a German philosopher, theorist, sociologist, and
- Developed the theory of
- Wrote *The Communist* (1848) with British reformer Friedrich Engels

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11

Communist Revolution



13

Impact of Socialism

By 1900, the socialists were an influential [] voice in European politics.

- They generally supported more [] reforms than those proposed by Marx.

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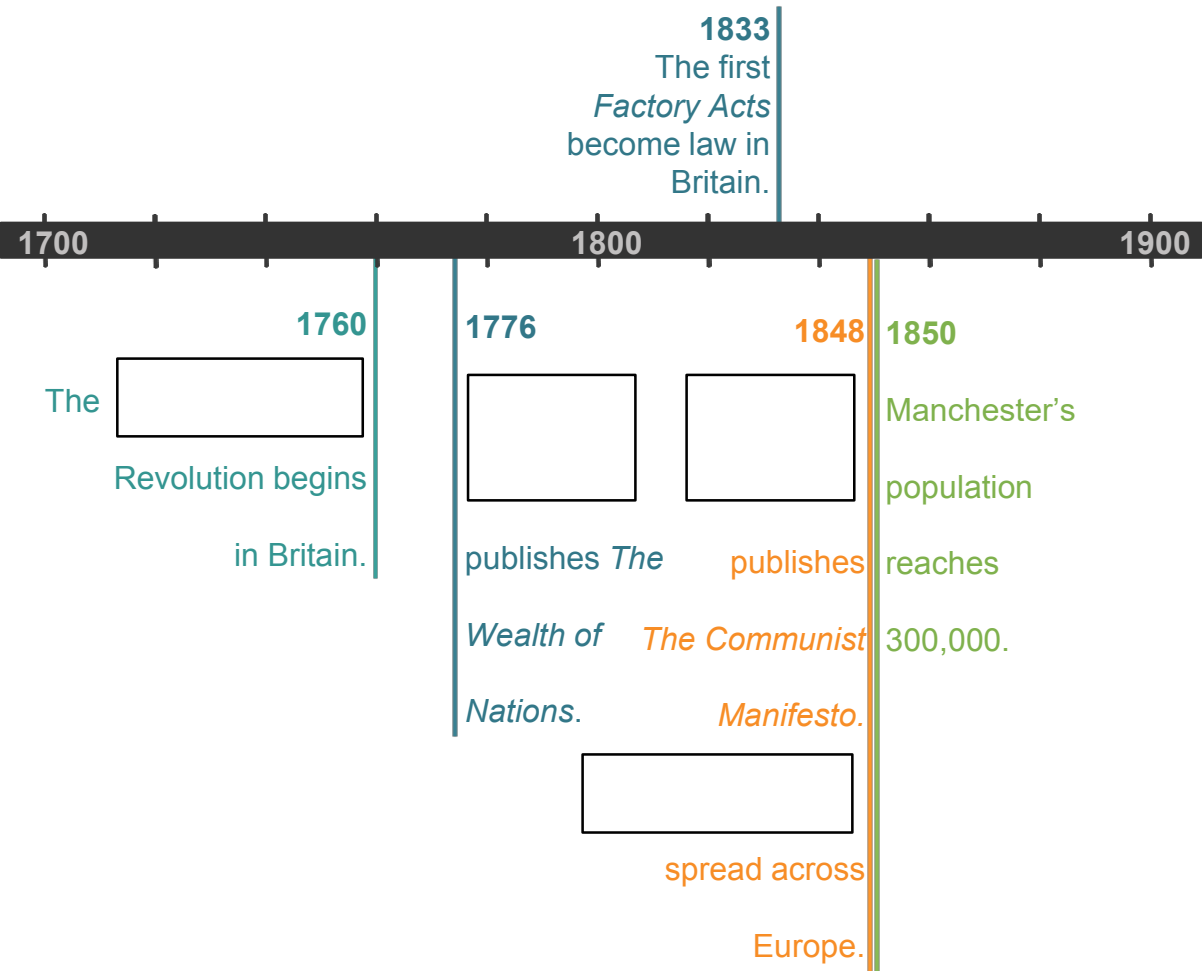
13

Capitalism Today

- Today, all capitalist economies have some .
- Government agencies promote worker .
 - Laws protect the .
 - laws protect workers.

15

New Economic Theories: Timeline



Summary

New Economic Theories



Lesson Question

How did the Industrial Revolution lead to new economic theories?



Answer

Summary

New Economic Theories

Slide

2

Review: Opposing Theories

| Capitalism | Socialism |
|--|--|
| <ul style="list-style-type: none">• People are free to pursue their own <input type="text"/>.• The <input type="text"/> are controlled by private interests.• The <input type="text"/> determine economic decisions, with little interference from the <input type="text"/>. | <ul style="list-style-type: none">• <input type="text"/> is distributed evenly among society.• The government <input type="text"/> and <input type="text"/> the means of production.• The government makes <input type="text"/> decisions. |

Review: Communism

- Karl Marx argued that capitalism could not .
- He believed the workers would and seize the in a communist revolution.

Summary

New Economic Theories

Use this space to write any questions or thoughts about this lesson.