

## Rock, Paper, Scissors: Understanding Marxist Theory

Definition of an “Economic System” = a system of **production** and **exchange** of **goods and services** as well as the **allocation of resources** in a society.

Economic Systems	CAPITALISM	SOCIALISM	COMMUNISM
Definition	an economic system characterized by private or corporate ownership of capital goods, by investments that are determined by private decision, and by prices, production, and the distribution of goods that are determined mainly by competition in a free market	economic and political theory advocating that the means of production, distribution, and exchange should be owned or regulated by the state or community as a whole  (in Marxist theory, a transitional social state between the overthrow of capitalism and the realization of communism)	a political theory advocating class war and leading to a society in which all property is publicly owned and each person works and is paid according to their abilities and needs
General Characteristics	<ul style="list-style-type: none"> <li>• Individual ownership</li> <li>• Competition</li> <li>• Decisions based on profit</li> <li>• Results in unequal economic classes</li> </ul>	<ul style="list-style-type: none"> <li>• Nationalized production</li> <li>• Wages based on need, difficulty of job, qualifications</li> <li>• Goals to bring economic equality and a classless society</li> </ul>	<ul style="list-style-type: none"> <li>• Collective ownership</li> <li>• Share all resources and labor</li> <li>• Distributes profit equally</li> <li>• Goal of classless society achieved and no government needed</li> </ul>
Who?	Adam Smith “Wealth of Nations” (1776) <ul style="list-style-type: none"> <li>• “laissez-faire” philosophy</li> <li>• “invisible hand”</li> </ul>	Karl Marx and Friedrich Engels “The Communist Manifesto” (1848) <ul style="list-style-type: none"> <li>• Response to excess of capitalism</li> <li>• Aims to create an era of equality and justice</li> </ul>	
Pros	<ul style="list-style-type: none"> <li>• Freedom of choice (for owners, workers, and consumers)</li> <li>• Success or wealth as a reward for hard work</li> <li>• Economic competition leads to new and higher quality goods at less cost</li> </ul>	<ul style="list-style-type: none"> <li>• Basis security and needs met (no poverty as a goal)</li> <li>• End to inequality or class division</li> </ul>	
Cons	<ul style="list-style-type: none"> <li>• Failure is individual (no help from the government)</li> <li>• Extreme poverty or exploitation of workers</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of choice or freedom</li> <li>• No incentive for hard-work or innovation (could promote laziness or entitlement)</li> </ul>	
Examples	<ul style="list-style-type: none"> <li>• a child’s lemonade stand</li> <li>• Dow Jones Industrial Average</li> <li>• You sell your candy bar for 25 cents more than you bought it for</li> <li>• Ben and Jerry’s Ice Cream Company</li> </ul>	<ul style="list-style-type: none"> <li>• Public high school</li> <li>• Soup kitchen</li> <li>• Government provided health care for all citizens</li> <li>• Local fire department</li> <li>• Yosemite National Park</li> </ul>	

**BIG PICTURE CONNECTIONS:** While the idealism of protecting collective interests makes socialism and communism very popular, it has not supplanted capitalism., The benefits of capitalism including better material well-being, accessibility of innovative goods and services, and individual choice and freedom continue to exist and how and to what extent nations or societies use socialist principles to regulate the free market remains an open question for debate.

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General Characteristics			
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