

WORDS

business = company

compete = to try to get people to buy your goods and not the ones from other companies

competition = a situation in which people or organizations try to be more successful than other people or organizations

consumer = someone who buys and uses products and services

demand = the need to have certain things

determine = here: control

drive out of business = if you have to stop producing things because you cannot compete with others

economic = financial

economy = the system of producing goods and selling them

exchange = to give and get things

feature = the main ideas of

free enterprise = to allow companies and business to operate without much control

goods = things that are produced so that you can sell them

government = the leaders who rule a country

income = the money you get when you have a job and work

labour = work

offer = to give people the things that they want

owner = a person whom something belongs to

private household = people who live privately in one house

profit = the money you get from selling things after you have paid your costs

pure = unmixed, real

remain = stay

run = to be in charge of, to control

services = work that you do for a person or an organization

society = people, the general public

supply = amount of goods that can be sold

supply and demand = difference between the amount of goods that are produced and the amount that people want to buy

Capitalism is an **economic** system in which private people, not the **government**, own and **run** companies. These companies **compete** with other companies for **business**. They decide what products they want to produce, how much they should cost and where to sell them. Companies do all these things in order to make **profits** for their **owners**. People who use their money to start companies or **run** companies are called capitalists.

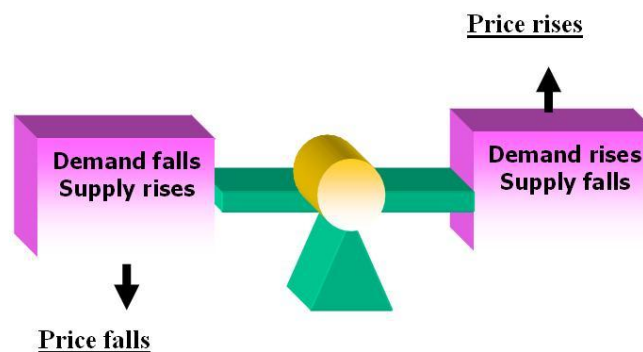
Even though a **pure** form of capitalism does not exist and **governments** control the **economy** in some ways it **remains** the world's most popular economic system. In the United States the **government** keeps itself out of the **economy** as far as possible but in some European countries **economic** control is much larger. Other names for capitalism are free-market economy or free **enterprise**.

FEATURES OF CAPITALISM

In a capitalist system **private households** need **goods**. They buy these **goods** from the **income** that they have. Some **households** have more **income** than others. Sometimes only one member of a **household** has a job, at other times both husband and wife go to work. Then they have more money to buy goods. This is the **demand** side of the **economy**.

On the other side companies and **businesses** offer **private households** goods and **services**. They produce the **goods** that they think **consumers** will want to buy. To do this they need workers to produce these **goods** and **services**. This is the **supply** side of the **economy**.

Companies and households get together at markets. Here they **exchange** goods, **services** and jobs (labour). A market is a place where people buy and sell things. In a capitalist **society** the prices of goods, **services** and **labour** are **determined** by **supply and demand**. If a lot of people want to buy a **certain** product its price will go up. Products that are mass produced usually have low prices.



Another important feature of capitalism is **competition**. Many companies may sell the same type of product. Companies will try to sell better products at a cheaper price so that they can get **consumers** to buy their products. Firms that cannot **compete** are very often **driven out** of business.

agree = if two or more people have the same opinion about something

business cycle = the ups and downs of the economy over a certain time

certain =special

competition =a situation in which people or organizations try to be more successful than other people or organizations

condition = same as "state "

decision =what someone chooses to do or decides

economy =the system of producing goods and selling them

expert = person who knows a lot about something

factory = building where you produce goods

goods = things that are produced so that you can sell them

interest rate =the percentage that you have to give a bank when you get money from it or the money that you get from the bank when you keep money there

involve =to get mixed up in ; to be a part of

law = a set of rules that a country has

monopoly = if one company, government or person controls everything

pollute = to make dirty

pour =to make water flow into it

services =work that you do for a person or an organization

society =people in general

stabilize = here: to stop the economy from getting worse

state = condition, situation

survive = to continue to exist, live on

take over = to take control of something or buy a company

tax = money that everybody must pay to the government

trust = here: a group of companies that work together so that smaller companies cannot compete with them

unemployed = if you do not have a job or are out of work

wage =money you earn in a week or month

The same can be said about **wages**. In some cases businesses have to pay workers more money to get them to work. In other cases low paid work often exists in areas where there are more workers than are needed.

HOW GOVERNMENTS REGULATE THE ECONOMY

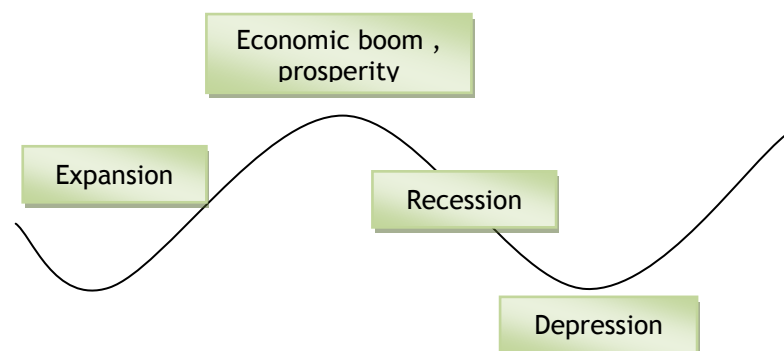
In today's world governments get **involved** in the **economy** in **certain** ways and leaders must often make **economic decisions**.

A government must make sure that there is enough **competition** to keep prices low the quality products high. If only a few companies produce products they may **agree** to keep prices high. In a **monopoly**, only one company produces **goods** and **services** that everybody needs, so it can set the price.

In the second half of the 19th century companies started to get bigger and bigger by **taking over** smaller ones. Soon these so-called **trusts** had a lot of power and controlled the market and the prices. At the beginning of the 20th century the United States passed a **law** which helped smaller companies **survive**.

Business leaders often do not care about what their **decisions** may do to our **society**. For example, a factory may **pollute** a river by **pouring** dirty water into it. It is the job of government organizations to make sure that this does not happen.

The **state** of **economy** is not the same all the time. Normally, there are always ups and downs. Sometimes the **economy** of a country is in good **condition**, everybody has enough money and lots of goods are produced. On the other side there may be years in which there are a lot of **unemployed** people and **factories** cannot sell their products. The **business cycle** shows the **economy** in four phases.



Some **experts** believe that the government must **stabilize** and help the **economy** in bad times. It should lower **taxes** and **interest rates** so that people can borrow money more easily.

In capitalist countries some are very rich and can **afford** to buy everything. Others have little money and need clothing, food and a place to live. Many European countries have systems in which poor people are helped by the **government** and richer people have to pay more **taxes** etc. This system is called **social market economy**.

WORDS

accept = recognize, agree to

afford = if you have enough money that you can buy the things you need

ancient = old

argue = to say things that others don't think are right

collapse = break down

combine = mix

creation = the making of

depression = when an economy almost breaks down completely

describe = tell, show, explain

earn = to get money for the work you have done

economist = a person who knows a lot about how business works

economy = the system of producing goods and selling them

encourage = to tell someone they should do something that is good

evenly = to give everyone the same

exist = to be here

free trade = if you can buy and sell things freely in your country and in other countries

government = the leaders who rule a country

Great Depression = the bad times that followed the stock market crash in 1929

growth = development

law = the set of rules a country has

lead to = to make something happen

oil wells = large structures you use to pump oil out of the earth

own = to have something that belongs to you

popular = liked by a lot of people

population = the people who live in a country

protect = guard, defend

remain = stay

run = to be in control of

social market economy = economy in which the government takes more money away from richer people and helps poorer ones

spread = give

state = country

suggest = recommend, give advice

take over = to take control of something or buy a company

tax = money that everyone must pay to the government

trade = to buy and sell things

trade union = organization that helps workers and defends them against company owners

HISTORY OF CAPITALISM

Capitalism has **existed** since **ancient** times. But it became important in the 15th and 16th centuries with the **growth** of **trade**, industry and banking. Until the 1700s governments **encouraged** their **population** to make more money by selling goods to other countries. Imported goods were made more expensive so that countries could sell their own products. This became known as mercantilism.



The Industrial revolution brought changes to the **economies** of many countries. Factory **owners** did not want governments to control **trade** any more. They wanted to **run** their companies by themselves. This idea became known as *laissez-faire*, which means “allow to do” in French. In his book, *The Wealth of Nations*, British **economist** Adam Smith **described** how *laissez faire* should. Great Britain became the first country to change its **laws** and allow **free trade**.



During this period countries produced more and more products and goods and many capitalists became rich. However, normal workers did not **earn** very much and had to work up to 16 hours a day, sometimes in dangerous places. These problems led to the **creation** of **trade unions**, which **protected** workers.

In the middle of the 19th century socialism became **popular**. The German Karl Marx **suggested** that the government should **take over** and control the **economy**. It should **own** all the land, the factories and companies. In a socialist **economy** the government tries to **spread** money **evenly** among the workers. Many countries followed these socialist ideas, which later on **led** to Communism.

Capitalism almost **collapsed** during the **Great Depression** of the 1930s. Many banks, factories and stores had to close and millions of people lost their jobs. Many did not believe in capitalism any more. As a result the British economist John Maynard Keynes **argued** that the **government** had to do something to fight **depression**. In America Franklin D. Roosevelt introduced a program called New Deal in which he gave Americans help that they needed in bad times.

Today Keynes' theory is widely **accepted** and modern countries **combine** capitalism with some kind of government control. The **state** may own industries that are important to the country's **economy**, like **oil wells**, banks or airlines. Most people feel that free market economy should **remain** but the **government** should still be around to see that **economic rules** are kept.