

Chapter 5 Capitalism

February 6-8 , 2018

BELLRINGER

Reading Focus Questions

Chapter 5

1. What is capital? (p.145)
2. What is the mercantilist theory? (p.146)

GUIDED NOTES PAGES 145-146

Capital is _____, or _____, _____ to start up a business and help it grow.

Mercantilist ideas began when clever _____ saw how important it was for a country to _____, especially of goods that were _____.

To make the mercantile system work, a _____
_____. At the same time, _____
_____ would be another market for the home country's goods. What does the book say about taxes?

The noun *mercantilism* came from the Latin *mercāns*, or "buyer."

It was a system that encouraged the *idea of government trade regulation to gain wealth, a move away from agriculture system as an economic base.*

Although largely rejected today, it was the main school of economic thought from the 15th through the 18th Centuries, and was the push behind much of the exploration and colonization of other lands — and many of the wars — that happened during that time.

MERCANTILISM:

an economic system (Europe in 18th century) to increase a nation's wealth by government regulation of all of the nation's commercial interests

ADAM SMITH

What roles did Adam Smith believe the government should fulfill in society?

Laissez-faire (leh.say.FEHR) meaning "to let (people)do (what they want)

The concept that the state should not impose government regulations but should leave the economy alone

Friday February 9 Quiz

1. The Enclosure Movement is _____.
2. _____ began to replace animals and human muscle power during the late 1700's and 1800's.
3. One disadvantage of industrialization is _____.
4. One advantage of industrialization is _____.
5. Name at least 4 features of the first and second phase in the English and American Industrial Revolution p. 133
6. What group passed laws that began to protect children and women from harsh and unsafe working conditions?
7. What became an important source of energy by 1700 when timber and firewood were scarce in England?
8. Who invented the Cotton Gin? Why is the Cotton Gin important?

Adam Smith and Modern Capitalism

In the mercantile era, it was also important that agriculture and manufacturing in the home country be highly productive.

In **mercantilism**, industries are run and controlled by monopolies which are protected and supported by the government through subsidies. ... **Capitalism** views wealth creation as the key to economic growth while **mercantilism** believes that economic prosperity can be achieved through the extraction of wealth.

Examples

The most prominent example of a pure monopoly in the United States is the United States Postal Service (USPS).

We have all heard that the Postal Service is losing money.

According to a report published in 2014, the USPS lost a staggering \$2 billion dollars in just 3 months, despite cutbacks in service.

With such a glaring need for improved operations, you might wonder why other businesses haven't entered the market to compete with the Post Office for first-class and standard mail delivery.

Well, it might surprise you to learn that the Post Office is a government-protected monopoly.

The Private Express Statutes established in 1792 gives the USPS exclusive rights to deliver letters for a fee, with very few exceptions.

Letters that are designated to be 'extremely urgent' may be delivered by other providers but even then, the Post Office is allowed to set the minimum price that the private competition must charge. This is an example of a legal barrier to entering the market.