**IV. Economic Theories**

1. Economics

**Economics –**

Three major economic questions:

1)

2)

3)

1. Capitalism

**Capitalism –**

**Adam Smith –**

**Laissez-Faire –**

**Laissez –**

**Faire –**

1. Mixed Economy

* Competition plays a key role in capitalist economies
* U.S. has a capitalist economy, but the government plays a role
* **Mixed Economy –**

1. Socialism

* **Socialism –**
* Tries to equally distribute wealth
* Stifles individual initiative

1. Communism

* **Karl Marx –**
* Class struggle between workers and owners shaped history
* Predicted the capitalism would one day collapse
* **Bourgeoisie –**
* **Proletariat** –
* Labor of workers creates great profit for employers
* Workers receive only small fraction of wealth they create

1. Future According to Marx

* Capitalism would eventually destroy itself
* **“Workers of the World Unite” –**
* **“Dictatorship of the Proletariat” –**

* A classless society would eventually develop
* **Communism –**