A country that allows private citizens to own and operate their own businesses has a Capitalistic political economy. In this system, individuals are allowed the freedom to own their own businesses in order to make money.

The foundation of Capitalism is the idea of free enterprise. This means the individual controls their business. The individual has the right to create their own business, decide what they want to produce, and make money. Individuals also have the right to purchase whatever goods they desire.

The government cannot control the economy or tell people what to buy, make, or sell. All of these decisions are made by the people who own the businesses and purchase the goods produced by the businesses.

Prices are not regulated by the government in a Capitalist economy. Capitalist countries have a free market economy. Prices are determined by the law of supply and demand. It is believed that this protects the freedom and interests of the people.

Some experts believe that Capitalism has existed in some form since the invention of agriculture. Farmers chose their own crops and sold their crops at a price that was fair. This is a very basic form of Capitalism.
A Capitalistic Political Economy

Capitalism became an important political economy during the Industrial Revolution. During this time, factory owners, bankers, and merchants began to become very powerful. This caused more businesses to become privately owned by private citizens.

Many critics of Capitalism say that government intervention is necessary in order to protect the people. They believe that the foundation of Capitalism, the free market, can easily become corrupt. They believe that it is very easy for one person or group to gain too much power. That is why they believe that the government should control the market.

Corruption is a risk in a Capitalistic political economy. If the government and the people are not careful in a Capitalistic political economy, monopolies can develop. This happens when a person or a company controls a market or an industry. This can lead to corruption, which can cause the prices of goods to rise significantly.

Governments do carefully monitor both businesses and industries in order to protect the people from a monopoly. A government can create laws and regulations to prevent the creation of a monopoly. This is one way a Capitalist government can protect their rights and interests of its citizens.

intervention: stepping in to help
A Communist Political Economy

Communism is a political economy where property is shared by the people equally. This means that individuals are not permitted to own private businesses. Instead, businesses are owned and operated by the government.

Communism has been in existence for many centuries. Many Native American cultures had systems that were similar to Communism. For example, the Incas worked together to grow food. This food was then shared equally by the community. No one community member profited more than any other community member.

The Industrial Revolution also had an effect on the development of Communism. One of the problems that emerged from the Industrial Revolution was a growing number of poor factory workers. These workers recognized that their hard work made factory owners rich, not them. People began to become interested in a system that would allow the profit to be shared equally by all the workers.

In 1917, the Russian Revolution was won by the Bolsheviks who believed in the Communist system. They then created the Communist party and formed the Soviet Union. The Communist party led the Soviet Union for decades.

Who won the Russian Revolution?

____________________________

____________________________


**A Communist Political Economy**

The entire world became more fragmented as a result of World Wars I and II. Both Communist countries and Capitalist countries wanted other countries to use their system so that they could become more powerful. Many countries that suffered after both wars decided to become Communist countries. Communism spread quickly in Eastern Europe and Asia.

Other countries became Communist countries as a result of a civil war. In fact, many of these wars were paid for by both Communist and Capitalist countries so that they could have more power in the area. As a result, Communism also spread quickly in some nations in the Middle East, Africa, and Central America.

Many people who are critical of Communism believe that this system can be easily corrupted by the government. They believe the government has too much power and does not equally share all the resources with the citizens.

When the Cold War ended, many countries abandoned Communism. By 1990, Poland, East Germany, Hungary, and other Eastern European nations all abandoned Communism and adopted more Capitalistic economic systems. In 1991, the Soviet Union dissolved and changed its name back to Russia.

There are still several countries in the world that follow the Communist system. They are primarily in Asia, but can be found elsewhere in the world.

*Fragmented*: made into many small pieces
Communism vs. Capitalism Organizer

<table>
<thead>
<tr>
<th>Communism</th>
<th></th>
<th>Capitalism</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DIFFERENT</strong></td>
<td><strong>SAME</strong></td>
<td><strong>DIFFERENT</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

© CLASSROOM COMPLETE PRESS