**How Capitalism works – Questions**

Read the article, ‘***How Capitalism Works***’, and answer the following questions. The answers will be discussed in class so try to answer the questions as fully as you can. Its good practice to highlight and annotate the text before discussion.

1. ‘The essence of Capitalism is economic freedom’. What do you understand this to mean?
2. What are the two basic approaches to a modern economic system?
3. What does **Layton** mean by ‘***true’*** or ‘***real’*** capitalism?
4. What is a ‘***mixed economy***’?
5. What does ‘***individualism***’ mean?
6. Give an example of how someone’s ‘**individual wealth**’ could lead to an overall improvement in the ‘**wealth of society**’.
7. What two concepts did Adam Smith, introduce in his book, ‘*Wealth of Nations’*?
8. What does Smith mean by an ‘**invisible hand**’?
9. Why does Capitalism thrive in a consumer culture?
10. Define what the owner class and working class are.
11. According to Smith, what guides production and why?
12. How does Smith’s model of Capitalism improve society’s standard of living?
13. What should be the role of government according to Smith?
14. Explain what ***laissez-faire*** system of economics is.
15. What is meant by ‘***supply and demand***’?
16. What is ***Mercantilism***?
17. How are Capitalist, Socialist and Fascist economic systems basically different?
18. Why didn’t ***true capitalism*** work in history?
19. Why did governments begin to intervene in the Capitalist economies in the early 20th century?
20. What changes did the economist **Keynes** believe should be made to Capitalism in the 1930s?