

Aim #5 - What are the building blocks of Capitalism?

Topic - Building Blocks of Capitalism.

Worksheet III-3.B Building Blocks of the Free Market System

Directions: Read the passage below. Then read the definitions of the building blocks of the market system in the left column. Then examine the six case studies in the right column. After each case study, write the name of the building block that applies to the case.

Adam Smith, the Scottish economist, is famous for the term laissez-faire, meaning "to leave alone." He believed that the wealth of nations rested upon a free market; that is, the government would interfere as little as possible and individuals would develop national wealth as they pursued their own interests. A market exists whenever there is at least one buyer and one seller.

Building Blocks

Freedom of enterprise: an individual is free to enter any legal business provided that the proper licenses are obtained.

Profit motive: an individual is driven by the desire to earn money and profit. The individual wants to make more money by selling an item or a service for more money than he or she had to spend in producing it. By doing this, he or she benefits the entire society by developing resources.

Competition: business people are anxious to keep their customers and to take customers away from other business people.

Private ownership of property: people can improve the property that they own, knowing that it will not be taken away from them except in rare cases (An exception is eminent domain -the right of the government to purchase someone's property and use it for a public purpose such as a bridge, park, etc.)

Freedom of contract: individuals have the right to make business agreements or contracts that are enforceable by the court.

Consumer sovereignty: the purchaser of a product is free to choose anything that he or she finds desirable.

Case Studies

1. Mrs. Fields makes an agreement to deliver twelve tons of cookies to a local supermarket.

2. Ms. Arantello can go to any store of her choice when she needs groceries.

3. Mr. Zapatas is happy every time he hears the cash register ring because he wants to have surplus cash after he pays his bills.

4. Mr. Gametzky just put up a sign "Keep Off The Grass."

5. The local Burger King and McDonalds are seeking different ways to attract customers.

6. Mr. Robinson creates a new company to develop an idea for a new product.

Impact
Why is this building block important in Capitalism?

Final Thinking Question: Which is the most important and why?