

## TEXT SUMMARY

**Socialism** is an economic and political philosophy that says the benefits of economic activity—wealth—should be fairly distributed throughout society. The theory began when, in 1848, Karl Marx and Friedrich Engels argued that the **proletariat**—the workers—were being so badly abused by the **bourgeoisie**—the capitalists—that the workers would surely overthrow the existing capitalistic system.

Socialist governments often favor nationalization—governmental control of certain businesses—and support of public welfare. Countries that provide extensive social services at little or no cost to the users are often called **welfare states**. These countries typically have high taxation because they need funds to pay for services.

A capitalist economy is a **market economy** because private individuals and companies make key economic deci-

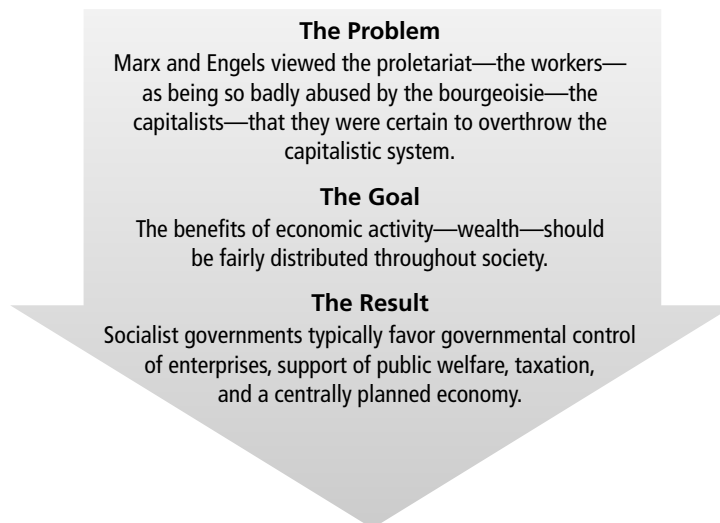
sions in the marketplace. A socialist economy is a **centrally planned economy** because government bureaucrats plan how the economy will develop.

Socialism's critics argue that it hinders individual initiative and makes the economy slow to utilize new technologies. Many critics believe that planning an economy is less efficient than letting the market control itself. They also claim that socialism gives workers no incentive to work hard because the government provides for their needs. Socialists respond that it is fairer and more moral to supply everyone with basic needs. They argue that socialism supplements political democracy with economic democracy. They also argue that socialism gives ordinary citizens more control over their daily lives.

### THE BIG IDEA

**In socialist countries, government plays a strong role in managing the economy and protecting workers' rights.**

## GRAPHIC SUMMARY: *The Development of Socialism*



Unlike capitalism, socialism seeks to distribute wealth more evenly throughout society.

## REVIEW QUESTIONS

1. How does a centrally planned economy differ from a market economy?
2. **Chart Skills** What did Marx and Engels argue would happen to the capitalistic system?