

## explainity explains: Capitalism

Today we're talking about capitalism. It's an economic system that's based on the ownership of capital. Capital is considered, (well) for example, factories, machines, farmland, mines and money. Owners of said capital are called capitalists and are wealthy private entrepreneurs. On the other is the population.

The goal of capitalism is to turn money into even more money. The supply and demand of the market determines what is produced and how expensive goods are. This is called the market economy.

In the beginnings of capitalism, capitalists had free range decision-making power in all matters. This means: the state did not intervene in their actions. However, the exact origin story of capitalism is somewhat disputed.

Many consider early capitalism to have started somewhere around 1300; advanced by long-distance trade, banking, and loans from wealthy private individuals to monarchs, which they used to wage wars and expand their countries.

Later as industrialisation came about, factory owners replaced the nobility as the most powerful group. This era is considered the beginnings of high capitalism and describes capitalism in its purest form. The main thriving centers for it were Western Europe and the United States of America.

Capitalism promised wealth for everyone. In reality, however, only the capitalists became richer while letting the population work for them. The people depended on wages to survive and provide for their families. Salaries were low, the work was hard and there were no laws to protect the workers. If a worker didn't perform, even if they were sick or old, there was no money.

Eventually this led to fierce protests. This is where the name Karl Marx is often mentioned, who was one of the harshest opponents of capitalism.

In the early 1900, the era of late capitalism began, which is what we currently have today. The state acts as a referee and uses laws to protect workers from being exploited. Powerful cartels and monopolies need to be prevented. Now we speak of the free market economy, which can be found in the USA, for example. And the social market economy, which is the economic system in most countries in the EU. The difference between these systems are, how much influence the state exercises and what the social characteristics are.

Advocates of capitalism say that it provides economic growth and advances developments in science, medicine, IT and technology.

Critics however say the system has turned us into a consumer society. People just want more and more: the latest smartphone, another pair of shoes, even if they actually don't need it. Also, people and nature are being exploited. Colonialism and the slave trade are also mentioned in the context of capitalism.

However, there are also people and companies who have recognised this problem, who try to set a positive example and use their earned capital to protect the environment and support social justice.

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