



STUDY GUIDE

WHY CAPITALISM WORKS

KEY TERMS: capitalism
consumption

entrepreneur
altruism

greed

NOTE-TAKING COLUMN: Complete this section <u>during</u> the video. Include definitions and key terms.	CUE COLUMN: Complete this section <u>after</u> the video.
<p>How does Mr. Gilder define greed? How does he define ‘the opposite of greed?’</p> <p>Why can't a capitalist be greedy by nature?</p> <p>What is the genius characteristic of capitalism?</p>	<p>Who does capitalism serve? How?</p> <p>Why is it in an entrepreneur's best interest to help others?</p>

DISCUSSION & REVIEW QUESTIONS:

- Since entrepreneurs, “...have no choice but to concern themselves with the needs and desires of others [their customers],” why do you think that critics of free enterprise accuse successful entrepreneurs as being ‘greedy?’ Which important aspects of free market economy might the critics be ignoring? Do you think that the critics have a different, or ‘wrong,’ definition of greed? Why or why not?
- Often, critics of capitalism see profit as evil and as a measure of greed. However, Mr. Gilder explains that the opposite is true, that, “...profit is a measure of how well a company has served others.” Do you agree? Why or why not?
- Mr. Gilder further states that, “If the entrepreneur pursues his own interests first and his customers’ interests second, his business will fail.” How can an economic model that completely and exclusively bases success or failure on serving others first ever reasonably be considered as being based on ‘greed’ and being ‘evil?’ What economic model do you think the critics would promote instead of capitalism? How well do you think the critics’ model would serve the producers and consumers in their scheme? Why?
- Mr. Gilder teaches us that, “Capitalism at its essence, then, is a competition of giving.” Do you agree with this characterization? Why or why not? If the owner of a pizza parlor endeavored to find fresher ingredients and purchase better ovens to cook pizzas in so that she could make better pizzas than the other pizza parlors in her area (and, thus, serve more people in the community with an even better culinary experience), does that necessarily make her more ‘greedy’ than the other pizza parlor operators? Why or why not?
- Towards the end of the video, Mr. Gilder explains that, “...the genius of capitalism, and only capitalism, is that it channels self-interest into altruism. Entrepreneurs can only help themselves by helping others.” The result of this is that consumers enjoy ‘endless material benefits,’ so Mr. Gilder says that these hard-working entrepreneurs that bring us smartphones and life-saving medicines, “...should be held up for admiration, not torn down.” What is your first reaction to hearing that a huge oil company such as BP just had a quarter of earning record profits? Do you cringe or applaud? Why? What might change your perspective to have the opposite reaction?

EXTEND THE LEARNING:

CASE STUDY: Cuba

INSTRUCTIONS: Read the article “The Cuban Money Crisis,” then answer the questions that follow.

- How well is the command economy in communist Cuba serving its people?
- The government in Cuba commands almost the entire economy, and has for decades. Meanwhile, Cuban salaries average \$20.00 a month even though the cost of living is around \$50.00 a month. Black markets exist, many people steal, and the currency for ordinary Cubans keeps them in poverty and completely dependent on the government. Are any of the individuals or organizations mentioned in the article compelled to serve others first, or are they mostly looking out for their own interests first?
- In comparing the economic model in Cuba to the one in the United States, which one should rightly be labeled as ‘greedy?’ Why? Why do you think that Cubans are eager to move towards capitalism? Which model do you think most Cubans would consider ‘greedy?’ Why?



QUIZ

WHY CAPITALISM WORKS

1. Only in capitalism, entrepreneurs concern themselves with:

- a. Making money by breaking the law.
- b. Making their company go public.
- c. The needs and desires of others aka their customers.
- d. Paying employees as little as possible.

2. By the very nature of what they do, entrepreneurs must:

- a. Be greedy.
- b. Shun greed.
- c. Be creative.
- d. Work long hours.

3. In order to succeed, entrepreneurs must begin by:

- a. Saving in order to achieve long term goals.
- b. Grab what they can without regard for others.
- c. Asking family and friends for money.
- d. Working their way up from the bottom.

4. Profit is a measure of:

- a. How well a company has served others.
- b. How many units are sold.
- c. The mark up of products.
- d. All of the above.

5. Capitalism at its essence is:

- a. Greedy people making a lot of money.
- b. The rich getting richer.
- c. Income equality.
- d. A competition of giving.



QUIZ - ANSWER KEY

WHY CAPITALISM WORKS

1. Only in capitalism, entrepreneurs concern themselves with:

- a. Making money by breaking the law.
- b. Making their company go public.
- c. The needs and desires of others aka their customers.
- d. Paying employees as little as possible.

2. By the very nature of what they do, entrepreneurs must:

- a. Be greedy.
- b. Shun greed.
- c. Be creative.
- d. Work long hours.

3. In order to succeed, entrepreneurs must begin by:

- a. Saving in order to achieve long term goals.
- b. Grab what they can without regard for others.
- c. Asking family and friends for money.
- d. Working their way up from the bottom.

4. Profit is a measure of:

- a. How well a company has served others.
- b. How many units are sold.
- c. The mark up of products.
- d. All of the above.

5. Capitalism at its essence is:

- a. Greedy people making a lot of money.
- b. The rich getting richer.
- c. Income equality.
- d. A competition of giving.

Photographs by Sebastian Liste for Bloomberg Businessweek
Even in the town of Sancti Spiritus, business is picking up.

Cuba has had a mixed economy for a long time: socialist until the food ran out, free-market thereafter. Critically, some of those markets are now legal and enriching, like the new real estate market that has seen houses in prime parts of Havana trade for hundreds of thousands of dollars (or CUCs, actually). There are also smaller, more clandestine markets, even for things like data. Many thousands of Cubans pay a fee to get what's called *el paquete*, an assortment of films, TV shows, video games, glossy magazines, and books from inside and outside the country. Cuba is ranked alongside Iran and North Korea for Internet censorship, with only a heavily filtered intranet available at an hourly price. *El paquete* is therefore a black-market delivery system, full of inefficiencies. The information is hand-carried into the country once a month, and the collection of American, Spanish, Mexican, and even Cuban media is passed around Havana on a terabyte-sized drive, or shared via illegal Wi-Fi networks in private homes.

The blogger Yoani Sanchez points out that this black market in information sticks to a familiar Cuban rule—nothing in *el paquete* should be explicitly political, to avoid drawing attention. But even the apolitical is subversive here, she says; when Cuban readers flock to lifestyle articles and glossy celebrity magazine covers, they're imagining themselves in a different country. Everything they see in this digital realm—churros recipes, listicles on the secrets of entrepreneurial thinking—is part of a different state of mind, a terabyte of autonomy and desire.

Even though the economy looks better than at any time since 1991, Cuba remains deeply, dangerously reliant on Venezuela's collapsing economy. The heirs of Hugo Chávez have kept the lights on in Havana by granting Cuba 100,000 barrels of oil a day at about half the market price. That effectively hides 45 percent of the island's trade deficit. Venezuela also pays \$5.5 billion a year for the almost 40,000 Cuban medical professionals who now make up half of its health-care personnel. Neither support can endure unchanged.

When MasterCard announced it would begin accepting charges from Cuba on March 1, the Cuban government slapped that down. U.S. airlines can now start flying directly to Cuba, or so Washington says—but there will likely be years of negotiations over safety, landing fees, and the reciprocal right of Cubana, a state-controlled, military-operated airline, to land its planes in Miami. The last thing on the Cuban list of reforms is sharing power. The Communist Party reflexively insists that nothing will change in Cuba, ever, but Obama's rapprochement is certain to have an effect. Dissidents, the politically ambitious, and human-rights activists believe that some day they'll be legally allowed to exist and their now-secretive work can become routine. The death of the CUC may turn out to be Day Zero for more than funny money.