Economic Systems and Decision Making

Lesson 3  The Global Transition to Capitalism

Review Questions

Directions: Complete the statements below. Refer to your textbook as you write the answers.

A. Problems of Transition

1. Capitalism has led many countries to an improved ______________ of ______________, and ______________ coverage broadcasts information about the wealth capitalist countries can generate. This, plus the ______________ of the Soviet Union, has inspired countries to attempt the difficult transition to capitalism.

2. To help convert state-owned property to ______________ property, transitioning countries have used ______________—certificates that individuals or groups can use to purchase that property.

3. In Russia, after the Soviet Union collapse, influential ______________ retained power by acquiring large numbers of ______________, so the ruling class gained ______________ power in place of ______________ power.

4. Even after capitalist practices are in place, people may have trouble adjusting to new ______________, such as taking ______________, interpreting ______________, making their own ______________, and fending for themselves in the marketplace.

5. Transitioning countries must take into account the costs of capitalism, because they will experience its ______________—such as the Great Depression’s ______________ and ______________—before they experience its benefits.
B. Countries and Regions in Transition

1. In Russia, the economy has gone from Stalin’s ________________-______________ Plans, directed by the central committee, or ________________, to Mikhail Gorbachev’s ________________ in the 1980s. This led to increased ________________ of property, which continued until ________________, Boris Yeltsin’s successor, took power.

2. China’s 1958 Five-Year Plan, the ________________, tried to communalize Chinese ________________ and ________________. The results of its performance led China to ________________ the Soviet model.

3. Although China has adopted many ________________ practices since the 1980s, two significant barriers to its growth are its ________________ population and air and water ________________.

4. Most countries in South America have tended towards socialism and ________________. ________________’s conversion to a free market has been a great success. Political instability and ________________ have affected Argentina’s transition, and ________________ continues to resist capitalism.

5. Numerous Eastern European countries transitioned to capitalism in a relatively ________________ time period after the fall of the Soviet Union. ________________ was the first, with its labor union called ________________. Poland joined the ________________ Union, an association of European nations to develop a single market, in 2004. Hungary’s transition was helped by the fact that it had a thriving ________________ where entrepreneurs and merchants sold goods illegally.
C. Other Faces of Capitalism

1. The main difference between capitalism in Japan and in the United States is intense involvement with the private sector. Additionally, tightly-knit firms governed by a board of directors, called the ____________, reduces the threat of ________________.

2. War-devastated South Korea went from exporting ________________ consumer goods to becoming a leader in production and export of ________________ appliances, televisions, and even durable goods, such as ________________.

3. Singapore’s high GDP is largely due to is specialization in ________________ services, ________________, and ________________.

4. ________________ has always been a feature of the Taiwanese economy, but experts warn that the ________________ ________________ ________________ will hamper growth in the future.

5. Formerly the model of European socialism, ________________ now mixes ________________- ________________ capitalism and generous ________________.
Summary and Reflection

Directions: Summarize the main ideas of this lesson by responding to the statement below.
Contrast two economies that transitioned to capitalism and explain what factors affected the ease of their transition as well as the “face” of capitalism that each has adopted.

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