The Cotton Gin	1793 Eli Whitney designed a simple machine to separate cottonseeds from cotton fiber. -This machine changed agriculture on the American south. Was able to make enough cotton to keep factories in England and United States working at full capacity.
Factories	Factories were first called "safe boxes" Workers were required to keep things secret. Some factories ran 24 hrs/day. Workers were under constant supervision, were at the mercy of the factory owner. The over population around the factories caused housing shortages, poor sanitation, scarce food. Created slum housing; factory owners owned everything. As a result, crime rose, police force and jails increased, disease rose.
Capitalism	Begins w/**capital** (money or property that can be used to make more money). Capital… -Stimulates the production of cheaper and more efficient goods and services. -A Capitalist (someone whom invests capital) hopes to make a profit.
Mercantilism	-A country can grow rich by controlling trading w/other countries. --Countries tried to export more than they import. --Enforced tariffs (an extra cost on goods brought in from another country) Used colonies to stock pile wealth.
Adam Smith and Industrial Capitalism	Remembered today as capitalism's first great champion. Born in 1723, he studied economics. Published Wealth of Nations in 1776 (most important studies of economics ever written. *Had 4 important ideas:* **The law of supply and demand**: two willing people wanted to exchange goods or services for money. An "invisible hand" set the price and supply levels. Too much price, lower supply, too much supply, lower price. **Free markets:** A system where buyer and seller decide on a price. No one can change this. Gov't. shouldn't interfere w/this process. **Laizzez faire:** No one should have an unfair advantage, but, "Hands-off" policy for gov't. Gov't should allow the

	marketplace to act or work all by itself. Gov't must do nothing more than it had to do to maintain fairness in manufacturing and trade. **Division of labor:** (Specialization) Different people doing different jobs that in the end all combine to finish a complicated task or activity. This could produce far more goods, at a quicker rate, and a cheaper price. Drops the cost for consumers, increases the supply, and increases profits (thus increasing worker's wages). Smith argued that a capitalist should use the profits to make more profit. In theory this could produce a higher standard of living for everyone.