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## Lesson 12: The Future of Capitalism

### AUTHOR

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### OVERVIEW

America—the great experiment and the land of opportunity. As we consider the future of our nation, we can't help but reflect on the free market system that has created both the opportunity and the engine to get us to where we are today.

This mini-lesson is part of the Economics Arkansas iNSPIRE! series and can be used to start a class on a number of related topics including private ownership, public policy, or the role of institutions. The included activities will help your students see how America's free market economy plays an important role in their own entrepreneurial dreams.

### CONCEPTS

Capitalism  
Intellectual Property  
Value

### OBJECTIVES

Students will be able to:

- Examine how CAPITALISM is dependent on the protection of individual property rights.
- Evaluate the importance of INTELLECTUAL PROPERTY protection commonly used by businesses.
- Demonstrate how a product can be evaluated based on its VALUE and uniqueness.

### TIME REQUIRED *(12 – 37 minutes)*

Bell Ringer: Steps 1 through 4 *(12 minutes)*

Mini Lesson: Steps 5 through 10 *(+15 minutes)*

Extension: Step 11 *(+10 minutes)*

### MATERIALS

Visuals

- Visual 1: “Definitions”

Handouts

- Handout 1: “Video Questions” (1 per team of 3-4 students)
- Handout 2: “Capital Dash” (1 per student)



- Handout 3: “Capital Idea!” (1 per team of 3-4 students)
- Handout 4: “I’m a Genius, I Think” (1 per team of 3-4 students)

#### Materials

- Hershey’s Kisses (2 or more per student) or similar small items that students would want (e.g., snacks, “bonus point” tickets, raffle tickets)

#### Online Resources

- Video “The Future of Capitalism”  
<https://www.thisiscapitalism.com/future-of-capitalism/> (6 minutes, 23 seconds)

### RELATED LINKS

#### The Heritage Foundation

- 2019 Index of Economic Freedom: United States  
<https://www.heritage.org/index/country/unitedstates>

### PREPARATION

1. Before class begins, print *team* copies (1 per 3-4 students) of Handout 1: “Video Questions,” Handout 3: “Capital Idea!,” and Handout 4: “I’m a Genius, I Think.”
2. Print *individual* copies (1 per student) of Handout 2: “Capital Dash.”
3. Prepare your Hershey’s Kisses (or substitute) by placing them all in a bowl or open bag.

### PROCEDURES

1. Watch the video “The Future of Capitalism” at <https://www.thisiscapitalism.com/future-of-capitalism/> (6 minutes, 23 seconds).
2. Ask students to work in teams of 3-4.
3. Distribute Handout 1: “Video Questions” (1 per team of 3-4 students), and have teams complete the questions. Allow students five minutes to complete.
4. Ask teams (Question 2): “*Do you think that the protection of our individual property rights is vital to the future of entrepreneurship in the United States?*” Answers will vary but may include comments on the importance of property ownership as both a resource and an incentive for entrepreneurship. As time allows, offer students the opportunity to discuss their results.
5. Using Visual 1: “Definitions,” review each definition. Explain that we will be considering the advantage that **CAPITALISM** gives entrepreneurs and exploring the **VALUE** of ideas and **INTELLECTUAL PROPERTY**.
6. While the students are still reviewing the terms, toss all of the Hershey’s Kisses (or alternative items) into the air and announce, “*Go! Grab as many as you can.*” As a more subdued alternative, set the items on your desk and let your students know that they are “first come, first served.” Either way, the Hershey’s Kisses are *not* to be eaten yet.
7. Distribute Handout 2: “Capital Dash” (1 per student). Ask students to record their results before proceeding by completing Round 1. Allow two or three students to present their results to the class.



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Answers will vary but will probably include complaints on it being “unfair.” Perhaps the toss didn’t quite reach the back of the room or a student was stuck behind a desk. Some students may express guilt that others didn’t get much. Don’t worry about explaining what the Hershey’s Kisses represent.

8. At the risk of a classroom mutiny, inform students that Round 2 will require a restart. Ask them to send all of their Hershey’s Kisses back up to the front. Once collected, give each student just two pieces. The goal for this round is equal distribution.
9. Ask students to record these new results under Round 2 and to complete the final question at the bottom of Handout 2: “Capital Dash.” Allow two or three students to present their results to the class. Answers will vary but may include frustration over losing what they had worked hard for or delight to have gotten something that they didn’t have to compete for. Emphasize that the goal of this activity was to ultimately demonstrate the difference between **CAPITALISM** and socialism. While **CAPITALISM** does have an unequal distribution of opportunities, socialism results in lower productivity and societal wealth because it removes the incentive for hard work and innovation.
10. With students back in teams of 3-4, distribute Handout 3: “Capital Idea!” (1 per team). During this activity on **INTELLECTUAL PROPERTY**, teams will need to visit the website <https://www.cnn.com/2012/08/23/7-Sought-After-Trade-Secrets.html> to learn more on a few famous Trade Secrets. Allow teams five minutes to complete.
11. Optional Extension Activity: Distribute copies of Handout 4: “I’m a Genius, I Think.” Display the assignment, and ask students to complete it in class as a team or individually as a homework assignment. Ask students to identify a few different products that combine **VALUE** and uniqueness in specific ways and to complete the provided table. This is meant to get students thinking outside of the box, focusing more on the *subjective* nature of **VALUE** as perceived by customers. If used in class, provide three to four minutes for presentations and discussion.



## Visual 1: Definitions

### Capitalism

An economic system in which *individuals* (people or companies) *own* the *resources* used to create goods or services

### Intellectual Property

The *original* ideas, inventions, or processes that come from a person's *mind*

### Value

The *personal measurement* of something's worth, usefulness, or importance



## Handout 1: Video Questions

*"By virtue of living in the United States, we are all capitalists. Everyday transactions – putting gas in our cars, buying groceries – are just as much a part of capitalism as financing growing companies and investing in ideas."*

– Warren Stephens

After watching the video “The Future of Capitalism,” work in teams to answer the following questions. The video can be found at <https://www.thisiscapitalism.com/future-of-capitalism/>.

Since the very founding of our country, the United States has proven the significance of individual property rights. By definition, **Capitalism** exists where individuals **own** the resources needed to create goods and services. But what if you *couldn't* own anything? What if everything instead belonged to the government? Farmers couldn't buy land. Restaurants couldn't purchase equipment, buildings, or even ingredients.

Or imagine that there was no legal system to help you prove and protect ownership. If someone took your sunglasses or your new smartphone or your million-dollar business idea, there would be little or nothing that you could do about it. Without a legal system that values and protects individual property rights, you would be left to fend for yourself. In reality, one doesn't have to travel far beyond our own borders to find these scenes.

1) How do we commonly **prove** and **protect** ownership of personal property? Complete the following:

### Property

1. *House / Car*  
\_\_\_\_\_
2. *Invention*  
\_\_\_\_\_
3. *Identity*  
\_\_\_\_\_
4. *Sunglasses*  
\_\_\_\_\_

### Protection

1. *Example: Title (Deed)*  
\_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

2) Do you think that the protection of our individual property rights is vital to the future of entrepreneurship in the United States? Why or why not? Be ready to report your results back to the class.



## Handout 2: Capital Dash

*“The problem of social organization is how to set up an arrangement under which greed will do the least harm: capitalism is that kind of a system.”*

*– Milton Friedman*

Greed. Just the mention of it makes people cringe with discomfort. When you practice a sport or any other skill, however, is it greed that drives your desire to excel? Or is it your competitive spirit? In a capitalistic economy like the United States, it is **Competition** that pushes us to become the best version of ourselves, to improve, and to innovate. It provides incentive to ultimately accomplish, individually and as a society, the unachievable.

“Capitalism is sort of like democracy,” says John Hope Bryant. “It’s a horrible system except for every other system.” *Horrible?* That statement sounds quite negative, but what does it actually suggest? Yes, capitalism is flawed. Power and privilege are abused at times. Capitalism is even accused of *creating* social inequality and injustice. In reality, it has proven an effective tool for combatting these ills. In the words of American poet Ralph Waldo Emerson, “Doing well is the result of doing good. That’s what capitalism is all about.”

1) Consider the results from the Capital Dash activity.

### Round 1

1. How many pieces did you collect?

\_\_\_\_\_

2. Are you happy with the results?

Yes       No

3. Why or why not?

\_\_\_\_\_  
\_\_\_\_\_

### Round 2

1. How many pieces did you collect?

\_\_\_\_\_

2. Are you happy with the results?

Yes       No

3. Why or why not?

\_\_\_\_\_  
\_\_\_\_\_

2) Which of the two “economic systems” from this activity would provide the greatest sense of competition and the greatest incentive to work hard? Why? Be ready to report your results back to the class.



### Handout 3: Capital Idea!

*“Today, I would say that capitalism is the contest for ideas not just the contest for money. And a strength of the modern capitalistic economy is allowing funds to flow to exactly the most innovative and productive new ideas.”*

– Robert Glenn Hubbard, Ph.D.

When we think about capitalism, property rights, or ownership, we might immediately picture *physical* capital. While *Capital* does include tangible items like factories, land, tools, and raw materials, it also includes *intangible* resources like ideas. Many forms of capital are often needed when creating goods or services.

Critics of capitalism claim that opportunities are limited to the wealthy. This is perhaps due to a narrow interpretation of capital. Do only the wealthy stumble upon good *ideas*? No, absolutely not. Everyone has *Intellectual Property*, defined simply as the original ideas, inventions, or processes that come from a person's mind. Consider the Intellectual Property represented within our music industry. As soon as an artist writes a new song, it becomes their property. According to a 2007 study by the Institute for Policy Innovation, however, music piracy (a fancy word for theft) costs the U.S. economy \$12.5 billion each year. Ideas have value!

Equally true, *your* ideas have value! It could be a song. It could be a smartphone app. Whatever it is, we are fortunate to live in a country that allows us to own and to protect our Intellectual Property. In the United States, our Intellectual Property can be legally protected using the following four primary tools: copyrights, trademarks, patents, and trade secrets. Each type of protection has a very specific purpose. For example, Nike has a trademark for their slogan “Just Do It” and their *swoosh* logo. They also hold patents on their product designs and technology, copyrights on their written content (e.g., website, ads), and trade secrets in the form of future development plans. Go to <https://www.cnbc.com/2012/08/23/7-Sought-After-Trade-Secrets.html> to learn more on a few famous Trade Secrets. Use this article to fill in the blanks below.

| Company/Product | Famous Trade Secret        | How Is the Secret Protected? |
|-----------------|----------------------------|------------------------------|
| Coca-Cola       | Coca-Cola formula (recipe) | Bank vault.                  |
| Google          |                            | ?                            |
| KFC             |                            |                              |
| WD-40           |                            |                              |



### Handout 3: Capital Idea! (Answer Key)

*“Today, I would say that capitalism is the contest for ideas not just the contest for money. And a strength of the modern capitalistic economy is allowing funds to flow to exactly the most innovative and productive new ideas.”*

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|-----------------|----------------------------|---|
| Coca-Cola       | Coca-Cola formula (recipe) | Bank vault.   |
| Google          | <i>Search Algorithm</i>    | ?   |
| KFC             | <i>Secret Recipe</i>       | <i>Locked in a safe. Blending process is divided.</i> |
| WD-40           | <i>Formula</i>             | <i>Bank vault.</i>                                    |





### Handout 4: I'm a Genius, I Think

*"If I had asked my customers what they wanted, they would have said a faster horse."*

– Henry Ford (attributed by great-grandson William Clay "Bill" Ford, Jr.)

What makes something valuable? Consider private jets, diamonds, time, or family. According to author and marketing specialist Seth Godin, "**Scarcity** is the only thing worth paying for." How does scarcity—our struggle to satisfy limitless wants with our limited resources—create **Value**? In reality, value is *subjective*. Everyone perceives it differently. Sometimes we don't know what we want until we see it. To further complicate things, even our own perception is subjective. You might value a simple bottle of water at \$1 as you shop at a discount store, \$4 at an amusement park, or as priceless if you were lost in the desert. In the end, scarcity plays a huge roll in the value that we place on things. Scarcity, however, does not guarantee that something will be valued. For example, we may never value things like toxic waste or pollution regardless of how scarce they may be.

As one of the leading voices for Apple in the 1980s, Guy Kawasaki gained a lot of experience in launching new ideas and showcasing their value. He developed the following matrix as a result, identifying the relationship between an idea's value and its uniqueness. Put simply, the most successful products aren't just valuable or just unique. They are both! If we create something that is unique but lacks value (top left corner), no one will buy it. If we create something of value that isn't unique (bottom right), we will be stuck competing through our prices.

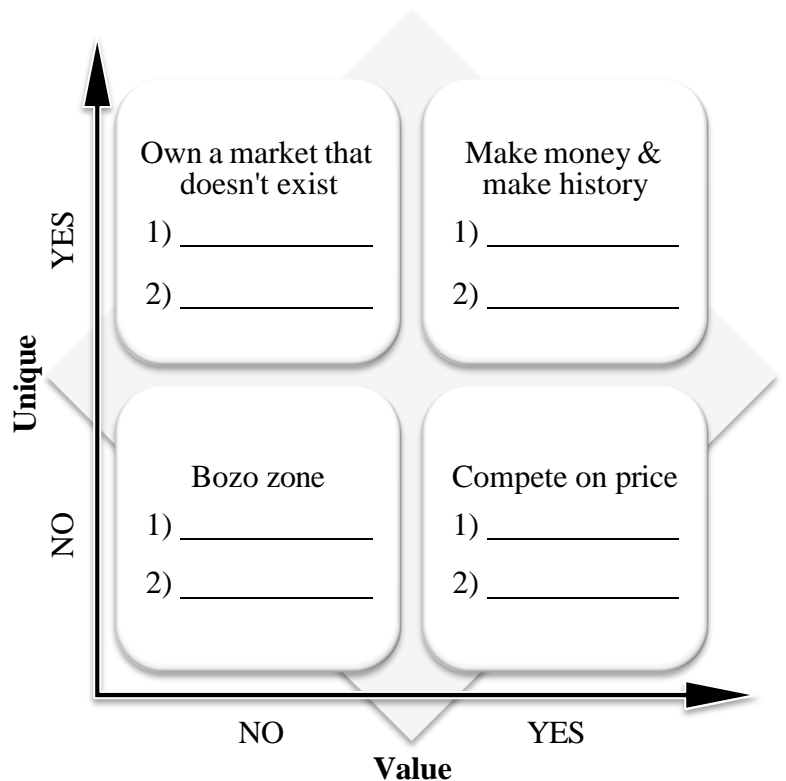
#### **The Challenge**

Using Kawasaki's matrix, identify one or two product ideas for each quadrant (corner). Feel free to come up with new ideas as needed!

#### *Examples:*

Product Idea: Paperclips  
 Unique: NO    
 Value: YES    
 Result: Compete on price

Product Idea: Goldfish Goggles  
 Unique: YES    
 Value: No    
 Result: Own a market that doesn't exist



Which quadrants were the most difficult to fill?