

# Capitalism Summary

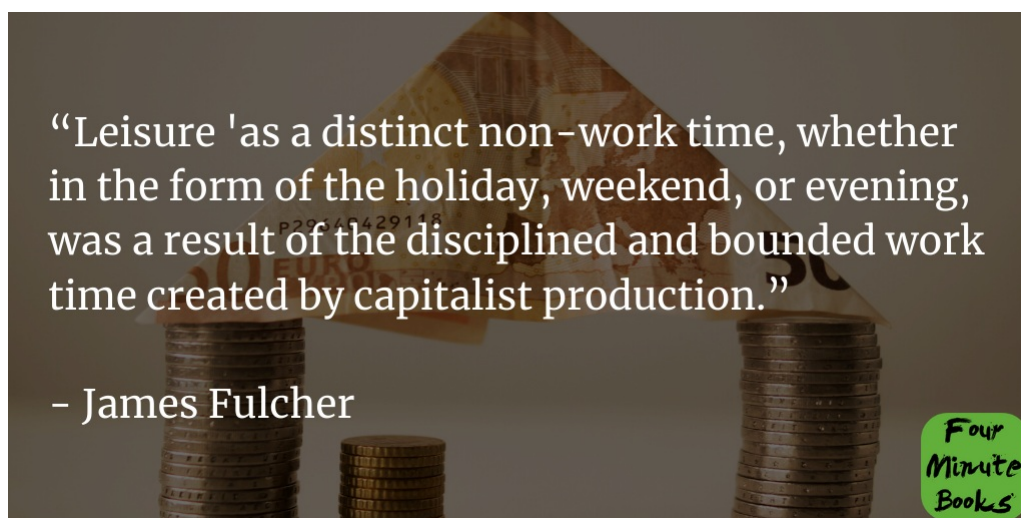
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**1-Sentence-Summary:** *Capitalism* shows you how the movement of money in the world really works by outlining the dominant system in the world and its origins and future.

**Read in:** 4 minutes

**Favorite quote from the author:**



Our economy and society run on capitalism, but do you know how it really works? Maybe you’ve got a basic understanding of it, but where did it come from? And does it have any limitations?

You’re probably wondering what use it is to you to learn this. Well, the more you know about how the flow of money works, the better decisions you can make with it. You can, for example, understand that banks are using their money to get rich off of giving you loans.

This is only scratching the surface of all the beneficial information we get out of James Fulcher’s *Capitalism: A Brief Introduction*. These ideas will help you see new ways to use money to make money, and how to be ready in case of another financial crisis like in 2008.

Here are the 3 biggest lessons I’ve learned from this book:

1. Using money to make more of it is the core of capitalism.
2. Although it’s hard to pinpoint the exact birth of this system, the roots of it began in medieval Europe.
3. One feature of capitalism is financial crises and we need to fix this.

Let’s get smarter with a crash course on capitalism! Here we go!

## Lesson 1: **Capitalism is all about using money to make more.**

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Although most of the world runs on this system, the details of its implementation vary. However, there are a few prevailing ingredients that we can see all around the world.

First and foremost is that capitalists use capital, which can be money or anything that they can turn into it, to make more money. Profit is whatever extra they make after spending their money to earn more.

For individuals, a home can be a form of capital, for example. You can sell it to take out the equity you've built in it or rent it to get a monthly revenue from it.

Companies work a little differently, however. They use their cash to create a product or offer a service with wage labor. In other words, they pay people wages to work. The business then sells these goods and services, or capital, to earn more money.

**But another reason wages are important is because it stimulates consumers to buy what companies are selling.** Demand for the necessities and luxuries of life comes from people not being able to produce them on their own.

And when people want these goods, that becomes the driving force behind companies paying people to produce them.

Markets are another important piece of the puzzle. Our ancient ancestors used to only consume what they could produce. But over time and with advancements, they could make money from their craft that they could use to purchase other items. And today we have a wide variety of products we can buy because of this system.

## Lesson 2: Medieval Europe is where the roots of this system began as best as we can tell.

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We can't really say for sure when the exact beginning of capitalism was. But by looking at historical conditions we have a pretty good idea. We at least know that it came from the absence of a uniform and domineering elite.

The political system of medieval Europe, as opposed to ancient Rome or China's dynasties, was in splinters. Their feudalism and multi-state arrangement was the perfect breeding ground for capitalism's roots to grow.

Under this system, producers within the economy had more flexibility than slaves did. That meant that their small amount of freedom allowed them to trade in more ways. But they also still had to give their surplus to a feudal lord.

Eventually, when this surplus became money, it was easy for the peasant class to make the transition to the wage laborers that we have today.

Additionally, with a central government and then several lower jurisdictions underneath that, it was a lot easier for people to move about. **Entrepreneurs especially could go to where it was more likely for them to succeed, for example.**

But this also was key to letting in refugees leaving the Counter-Reformation. These brought new financial innovations into England, which helped capitalism there flourish. One such new idea was what would become the beginning of modern corporations!

### **Lesson 3: Financial crises are inevitable with capitalism and society should look for ways to correct this.**

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The great recession of 2008 shook the world and many would say that we haven't learned our lesson.

To help solve the financial crisis, low interest rates began to become popular. Although this did help ease the burden in western countries, developing nations just borrowed more. This has set the stage for a similar crash to occur in the future.

But now we have to ask, based on what we know about capitalism, is this avoidable? If this system, which set the stage for such a terrible recession, has the ability to make another one happen, shouldn't we fix it?

**While we'd like to make changes, the truth is there is a lot of resistance.** Not much has improved with the regulation of banks since 2008, for example. And even if they get more strict standards, who's to say they won't just move to a less-stringent place?

It's almost as if financial crises aren't a flaw but more like a "feature" of capitalism that we can't fix. But should we stop here? Many argue that we need to keep pushing for improvement.

At the same time, it's difficult because of the power that big corporations have to curb efforts to help them make wiser, less greedy decisions. They'd rather have short-term profits than long-term benefits for humanity. And even then what they're doing may threaten their ability to thrive in the future.

But the current weakness of the political left makes it hard for them to introduce a viable solution to these problems. Maybe we will have to rely on capitalism's dynamic qualities. Or perhaps we can look to countries that were less impacted by the great recession to find a less risky financial future.

## Capitalism Review

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Capitalism has so much good information about the way our money system works! I feel like I learned a lot about economics also, which is great. The first step to making more money is to understand the way it works, and this book is a great place to start!

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## Who would I recommend the Capitalism summary to?

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The 22-year-old political science major, the 45-year-old who had a hard time finding a job during the 2008 recession, and anyone that wants to get a better understanding of how the flow of money in the world works.