

DISCUSSION & REVIEW QUESTIONS:

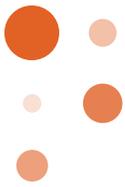
- How would you summarize the criticisms of capitalism mentioned in the video? Do you believe those criticisms to have any merit? Why or why not?
- Why do you think that some critics of free markets vehemently and automatically equate many big corporations with being greedy, and profits with being evil? Can you think of some examples that those critics would cite as evidence for their claims? What might some counter-examples be?
- In the video Dr. Williams asks, “Isn’t it more moral to require that people serve their fellow man in order to have a claim on what he produces rather than not serve others and still have a claim?” What exactly is Dr. Williams asking here? How would you answer his question?
- Dr. Williams explains that, “Free market capitalism will punish a corporation that does not satisfy customers or fails to use resources efficiently. Businesses, big and small, that wish to prosper are held accountable by the people who vote with their dollars.” Is this true? Should this be true? Why and how could a government (local or federal) be so damaging to this process?
- At the end of the video we hear that, “It’s this brilliant, limited-government notion that produced the wealthiest nation in history. In a free market, the ambition and the voluntary effort of citizens, not the government, drives the economy. That is: people, to the best of their ability, shaping their own destiny.” How does the condition of citizens being able to shape their own destiny relate to the claim that free market capitalism is a morally superior economic model?

EXTEND THE LEARNING:

CASE STUDY: Bill Gates

INSTRUCTIONS: Read the following biography on Bill Gates, then answer the questions that follow.

- Free market capitalism certainly enabled Bill Gates to shape his own destiny. How have the voluntary efforts of Bill Gates driven the economy?
- Some people view extremely wealthy individuals negatively, as if those individuals are somehow people of poor character simply because they have so much more money than others. Why do you think this is the case? Do you believe Bill Gates to be a person of poor character?
- Often, critics of free markets start from the premise that all people should be equal, and that equality is more important than merit. For example these critics believe that someone like Bill Gates should not have so much money while so many others are poor and struggling- that it isn’t ‘fair’ (even though Mr. Gates earned his money ethically and legally). Do you agree with this premise of ‘fairness’? Why or why not?



QUIZ

IS CAPITALISM MORAL?

1. Which of the following characterizes free market capitalism?

- a. Greedy
- b. Selfish
- c. Moral
- d. None of the above.

2. A free market system can only work if _____.

- a. There is a theocracy.
- b. There is limited government.
- c. There is an oligarchy.
- d. There is a totalitarian government.

3. The free market is a zero-sum game.

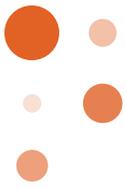
- a. True
- b. False

4. What creates zero-sum games in our economy?

- a. Free market capitalism
- b. The government
- c. Big corporations
- d. Small businesses

5. In a free market, who decides the fate of companies who want business?

- a. The people
- b. The government
- c. Big corporations
- d. Small businesses



QUIZ - ANSWER KEY

IS CAPITALISM MORAL?

1. Which of the following characterizes free market capitalism?

- a. Greedy
- b. Selfish
- c. Moral
- d. None of the above.

2. A free market system can only work if _____.

- a. There is a theocracy.
- b. There is limited government.
- c. There is an oligarchy.
- d. There is a totalitarian government.

3. The free market is a zero-sum game.

- a. True
- b. False

4. What creates zero-sum games in our economy?

- a. Free market capitalism
- b. The government
- c. Big corporations
- d. Small businesses

5. In a free market, who decides the fate of companies who want business?

- a. The people
- b. The government
- c. Big corporations
- d. Small businesses

<http://www.biography.com/people/bill-gates-9307520>



Bill Gates Biography

Business Leader, Entrepreneur, Philanthropist (1955–)

Entrepreneur Bill Gates founded the world's largest software business, Microsoft, with Paul Allen, and subsequently became one of the richest men in the world.

Early Life

Bill Gates was born William Henry Gates III on October 28, 1955, in Seattle, Washington. Gates began to show an interest in computer programming at the age of 13 at the Lakeside School. He pursued his passion through college. Striking out on his own with his friend and business partner Paul Allen, Gates found himself at the right place at the right time. Through technological innovation, keen business strategy and aggressive business tactics, he built the world's largest software business, Microsoft. In the process, Gates became one of the richest men in the world.

Bill Gates grew up in an upper middle-class family with two sisters: Kristianne, who is older, and Libby, who is younger. Their father, William H. Gates Sr., was a promising, if somewhat shy, law student when he met his future wife, Mary Maxwell. She was an athletic, outgoing student at the University of Washington, actively involved in student affairs and leadership. The Gates family atmosphere was warm and close, and all three children were encouraged to be competitive and strive for excellence. Bill showed early signs of competitiveness when he coordinated family athletic games at their summer house on Puget Sound. He also relished in playing board games (Risk was his favorite) and excelled at Monopoly.

Bill had a very close relationship with his mother, Mary, who after a brief career as a teacher devoted her time to helping raise the children and working on civic affairs and with charities. She also served on several corporate boards, including those of the First Interstate Bank in Seattle (founded by her grandfather), the United Way and International Business Machines (IBM). She would often take Bill along when she volunteered in schools and at community organizations.

Bill was a voracious reader as a child, spending many hours pouring over reference books such as the encyclopedia. Around the age of 11 or 12, Bill's parents began to have concerns about his behavior. He was doing well in school, but he seemed bored and withdrawn at times. His parents worried he might become a loner. Though they were strong believers in public education, when Bill turned 13, they enrolled him at Seattle's Lakeside School, an exclusive preparatory school. He blossomed in nearly all his subjects, excelling in math and science, but also doing very well in drama and English.

While at Lakeside School, a Seattle computer company offered to provide computer time for the students. The Mother's Club used proceeds from the school's rummage sale to purchase a teletype terminal for students to use. Bill Gates became entranced with what a computer could do and spent much of his free time working on the terminal. He wrote a tic-tac-toe program in BASIC computer language that allowed users to play against the computer.

It was at Lakeside School where Bill met Paul Allen, who was two years his senior. The two became fast friends, bonding on their common enthusiasm over computers, even though they were very different. Allen was more reserved and shy. Bill was feisty and at times combative. They both spent much of their free time together working on programs. Occasionally, they disagreed and would clash over who was right or who should run the computer lab. On one occasion, their argument escalated to the point where Allen banned Gates from the computer lab. On another occasion, Gates and Allen had their school computer privileges revoked for taking advantage of software glitches to obtain free computer time from the company that provided the computers. After their probation, they were allowed back in the computer lab when they offered to debug the program. During this time, Gates developed a payroll program for the computer company the boys hacked into, and a scheduling program for the school.

In 1970, at the age of 15, Bill Gates went into business with his pal, Paul Allen. They developed "Traf-o-Data," a computer program that monitored traffic patterns in Seattle, and netted \$20,000 for their efforts. Gates and Allen wanted to start their own company, but Gates's parents wanted him to finish school and go on to college where they hoped he would work to become a lawyer.

Bill Gates graduated from Lakeside in 1973. He scored 1590 out of 1600 on the college SAT test, a feat of intellectual achievement that for several years he boasted about when introducing himself to new people.

Early Career

Gates enrolled at Harvard University in the fall, originally thinking of a career in law. But his freshman year saw him spend more of his time in the computer lab than in class. Gates did not really have a study regimen. Instead, he could get by on a few hours of sleep, cram for a test, and pass with a reasonable grade.

Gates remained in contact with Paul Allen, who, after attending Washington State University for two years, dropped out and moved to Boston, Massachusetts, to work for Honeywell. In the summer of 1974, Gates joined Allen at Honeywell. During this time, Allen showed Gates an edition of *Popular Electronics* magazine featuring an article on the Altair 8800 mini-computer kit. Both boys were fascinated with the possibilities that this computer could create in the world of personal computing. The Altair was made by a small company in Albuquerque, New Mexico, called Micro Instrumentation and Telemetry Systems (MITS). Gates and Allen contacted the company, proclaiming that they were working on a BASIC software

program that would run the Altair computer. In reality, they didn't have an Altair to work with or the code to run it. But they wanted to know if MITS was interested in someone developing such software. MITS was, and its president Ed Roberts asked the boys for a demonstration. Gates and Allen scrambled, spending the next two months writing the software at Harvard's computer lab. Allen traveled to Albuquerque for a test run at MITS, never having tried it out on an Altair computer. It worked perfectly. Allen was hired at MITS and Gates soon left Harvard to work with him, much to his parents' dismay. In 1975, Gates and Allen formed a partnership they called Micro-Soft, a blend of "micro-computer" and "software."

Microsoft (Gates and Allen dropped the hyphen in less than a year) started off on shaky footing. Though their BASIC software program for the Altair computer netted the company a fee and royalties, it wasn't meeting their overhead. Microsoft's BASIC software was popular with computer hobbyists who obtained pre-market copies and were reproducing and distributing them for free. According to Gates's later account, only about 10 percent of the people using BASIC in the Altair computer had actually paid for it. At this time, much of the personal computer enthusiasts were people not in it for the money. They felt the ease of reproduction and distribution allowed them to share software with friends and fellow computer enthusiasts. Bill Gates thought differently. He saw the free distribution of software as stealing, especially when it involved software that was created to be sold.

In February of 1976, Gates wrote an open letter to computer hobbyists saying that continued distribution and use of software without paying for it would "prevent good software from being written." In essence, pirating software would discourage developers from investing time and money into creating quality software. The letter was unpopular with computer enthusiasts, but Gates stuck to his beliefs and would use the threat of innovation as a defense when faced with charges of unfair business practices.

Gates had a more acrimonious relationship with MITS president Ed Roberts, often resulting in shouting matches. The combative Gates clashed with Roberts on software development and the direction of the business. Roberts considered Gates spoiled and obnoxious. In 1977, Roberts sold MITS to another computer company, and went back to Georgia to enter medical school and become a country doctor. Gates and Allen were on their own. The pair had to sue the new owner of MITS to retain the software rights they had developed for Altair.

Microsoft wrote software in different formats for other computer companies and, at the end of 1978, Gates moved the company's operations to Bellevue Washington, just east of Seattle. Bill Gates was glad to be home again in the Pacific Northwest, and threw himself into his work. All 25 employees of the young company had broad responsibilities for all aspects of the operation, product development, business development, and marketing. With his acumen for software development and a keen business sense, Gates placed himself as the head of Microsoft, which grossed \$2.5 million in 1978. Gates was only 23.

The Rise of Microsoft

Gates's acumen for not only software development but also business operations put him in the position of leading the company and working as its spokesperson. He personally reviewed every line of code the company shipped, often rewriting code when he saw it necessary. As the computer industry began to grow with companies like Apple, Intel, and IBM developing hardware and components, Bill was continuously out on the road touting the merits of Microsoft software applications. He often took his mother with him. Mary was highly respected and well connected with her membership on several corporate boards including IBM. It was through Mary that Bill Gates met the CEO of IBM.

In November 1980, IBM was looking for software that would operate their upcoming personal computer (PC) and approached Microsoft. Legend has it that at the first meeting with Bill Gates someone at IBM mistook him for an office assistant and asked him to serve coffee. Gates did look very young, but he quickly impressed IBM, convincing them that he and his company could meet their needs. The only problem was that Microsoft had not developed the basic operating system that would run IBM's new computers. Not to be stopped, Gates bought an operating system that was developed to run on computers

similar to IBM's PC. He made a deal with the software's developer, making Microsoft the exclusive licensing agent and later full owner of the software but not telling them of the IBM deal. The company later sued Microsoft and Gates for withholding important information. Microsoft settled out of court for an undisclosed amount, but neither Gates nor Microsoft admitted to any wrong doing.

Gates had to adapt the newly purchased software to work for the IBM PC. He delivered it for a \$50,000 fee, the same price he had paid for the software in its original form. IBM wanted to buy the source code, which would have given them the information to the operating system. Gates refused, instead proposing that IBM pay a licensing fee for copies of the software sold with their computers. Doing this allowed Microsoft to license the software they called MS-DOS to any other PC manufacturer, should other computer companies clone the IBM PC, which they soon did. Microsoft also released software called Softcard, which allowed Microsoft BASIC to operate on Apple II machines.

Between 1978 and 1981, Microsoft's growth exploded, and staff increased from 25 to 128. Revenue also shot up from \$4 million to \$16 million. In mid-1981 Gates and Allen incorporated Microsoft, and Gates was appointed president and chairman of the board. Allen was named executive vice-president.

By 1983, Microsoft was going global with offices in Great Britain and Japan, and with 30 percent of the world's computers running on its software. But 1983 also brought news that rocked Microsoft to its very foundation. Paul Allen was diagnosed with Hodgkin's disease. Though his cancer went into remission a year later with intensive treatment, Allen resigned from company that same year. Rumors abound as to why Allen left Microsoft. Some say Bill Gates pushed him out, but many say it was a life-changing experience for Allen and he saw there were other opportunities that he could invest his time in.

The Invention of Microsoft Windows

Though their rivalry is legend, Microsoft and Apple shared many of their early innovations. In 1981 Apple invited Microsoft to help develop software for Macintosh computers. Some developers were involved in both Microsoft development, and the development of Microsoft applications for Macintosh. The collaboration could be seen in some shared names between the Microsoft and Macintosh systems.

It was through this knowledge sharing that Microsoft was to develop Windows. A system was that used a mouse to drive a graphic interface, displaying text and images on the screen. This differed greatly from the text and keyboard driven MS-DOS system where all text formatting showed on the screen as code and not what actually would be printed. Bill Gates quickly recognized the threat this kind of software might pose for MS-DOS and Microsoft overall. For the unsophisticated user — which was most of the buying public — the graphic imagery of the VisiCorp software would be so much easier to use. Gates announced in an advertising campaign that a new Microsoft operating system was about to be developed that would use a graphic interface. It was to be called "Windows," and would be compatible with all PC software products developed on the MS-DOS system. The announcement was a bluff, in that Microsoft had no such program under development. But as a marketing tactic it was sheer genius as nearly 30 percent of the computer market was using the MS-DOS system and would wait for Windows software rather than change to a new system. Without people willing to change formats, software developers were unwilling to write programs for the VisiCorp system and it lost momentum by early 1985.

In November 1985, Bill Gates and Microsoft launched Windows; nearly two years after his announcement. Visually the Windows system looked very similar to the Macintosh system Apple Computer Corporation had introduced nearly two years earlier. Apple had earlier given Microsoft full access to their technology while it was working on making Microsoft products compatible for Apple computers. Gates had advised Apple to license their software but they ignored the advice, being more interested in selling computers. Once again, Gates took full advantage of the situation and created a software format that was strikingly similar to the Macintosh. Apple threatened to sue and Microsoft retaliated, saying it would delay shipment of its Microsoft compatible software for Macintosh users. In the end, Microsoft prevailed in the courts

because it could prove that while there were similarities in how the two software systems operated, each individual function was distinctly different.

In 1986, Bill Gates took Microsoft public with an initial public offering (IPO) of \$21 per share. Gates held 45 percent of the company's 24.7 million shares and became an instant millionaire at age 31. Gates's stake at that time was \$234 million of Microsoft's \$520 million. Over time, the company's stock increased in value and split numerous times. In 1987, Bill Gates became a billionaire when the stock raised to \$90.75 a share. Since then, Gates has been at the top, or at least near the top, of [Forbes' annual list of the top 400 wealthiest people in America](#). In 1999, with stock prices at an all time high and the stock splitting eight-fold since its IPO, Gates's wealth briefly topped \$101 billion.

Yet, Bill Gates never felt totally secure about the status of his company. Always having to look over his shoulder to see where the competition was, he developed a white hot drive and competitive spirit. Gates expected everyone in the company to have the same drive and dedication. One story goes that one of Gates's assistants had come to work early to find someone sleeping under a desk. She considered calling security or the police when she discovered it was Gates.

Bill Gates's intelligence allowed him to be able to see all sides of the software industry—product development and corporate strategy. When analyzing any corporate move, he would develop a profile of all the possible cases and run through them, asking questions about anything that could possibly happen. His confrontational management style became legend as he would challenge employees and their ideas to keep the creative process going. An unprepared presenter would hear, "That's the stupidest thing I've ever heard!" from Gates. But this was as much a test of the rigor of the employee as it was Gates's passion for his company. He was constantly testing the people around him to see if they were really convinced of their ideas.

Outside the company, Bill Gates was gaining a reputation as a ruthless competitor. Several tech companies led by IBM began to develop their own operating system called OS/2 to replace MS-DOS. Rather than give into the pressure, Gates pushed ahead with the Windows software, improving its operation and expanding its uses. In 1989, Microsoft introduced Microsoft Office which bundled office productivity applications such as Microsoft Word and Excel into one system that was compatible with all Microsoft products. The applications were not as easily compatible with OS/2. Microsoft's new version of Windows sold 100,000 copies in just two weeks and OS/2 soon faded away. This left Microsoft with a virtual monopoly on operating systems for PCs. Soon the Federal Trade Commission began to investigate Microsoft for unfair marketing practices.

Microsoft faced a string of Federal Trade Commission and Justice Department investigations throughout the 1990s. Some related allegations that Microsoft made unfair deals with computer manufactures who installed the Windows operating system on their computers. Other charges involved Microsoft forcing computer manufactures to sell Microsoft's Internet Explorer as a condition for selling the Windows operating system with their computers.

At one point, Microsoft faced a possible break up of its two divisions—operating systems and software development. Microsoft defended itself, harking back to Bill Gates's earlier battles with software piracy, and proclaiming that such restrictions were a threat to innovation. Eventually, Microsoft was able to find a settlement with the federal government to avoid a breakup. Through it all, Gates found some inventive ways to deflect the pressure with light-hearted commercials and public appearances at computer trade

shows posing as Star Trek's Mr. Spock. Gates continued to run the company and weather the federal investigations through the 1990s.

Personal Life

In 1989, a 28-year-old Microsoft executive named Melinda French caught the eye of Bill Gates, then 37. The very bright and organized Melinda was a perfect match for Gates. In time, their relationship grew as they discovered an intimate and intellectual connection. On January 1, 1994, Melinda and Bill were married in Hawaii. But only a few months later heartbreak struck Bill Gates as his mother was diagnosed with breast cancer. She died in June 1994. Gates was devastated.

Bill and Melinda took some time off in 1995 to travel to several countries and get a new perspective on life and the world. In 1996, their first daughter, Jennifer, was born. A year later, Gates moved his family into a 55,000 square foot, \$54 million house on the shore of Lake Washington. Though the house serves as a business center, it is said to be a very cozy home for the couple and their three children.

Philanthropic Efforts

With wife Melinda's influence, Gates took an interest in filling his mother's role as a civic leader. He began to realize that he had an obligation to give more of his wealth to charity. Being the consummate student he was, Gates studied the philanthropic work of Andrew Carnegie and John D. Rockefeller, titans of the American industrial revolution. In 1994, Gates and his wife established the William H. Gates Foundation which was dedicated to supporting education, world health, and investment in low-income communities. In 2000, the couple combined several family foundations to form the Bill and Melinda Gates Foundation. They started out by making a \$28 billion contribution to set up the foundation.

Bill Gates stepped down from the day-to-day operations of Microsoft in 2000, turning over the job of CEO to college friend Steve Ballmer who had been with Microsoft since 1980. He positioned himself as chief software architect so he could concentrate on what was for him the more passionate side of the business. He still remains chairman of the board. Over the next few years, his involvement with the Bill and Melinda Gates Foundation occupied much of his time and even more of his interest. In 2006, Gates announced he was transitioning himself from full-time work at Microsoft, to devote more quality time to the Foundation. His last full day at Microsoft was June 27, 2008.

In addition to all the accolades of being one of the most successful and richest businessmen in the history of the world, Bill Gates has also received numerous awards for philanthropic work. *Time* magazine named Gates one of the most influential people of the 20th century. The magazine also named Gates, his wife Melinda, and rock band U2's lead singer Bono as the 2005 Persons of the Year.

Gates also holds several honorary doctorates from universities throughout the world and an honorary Knight Commander of the Order of the British Empire by Queen Elizabeth II. In 2006, Gates and his wife were awarded the Order of the Aztec Eagle by the Mexican government for their philanthropic work throughout the world in the areas of health and education.

In February 2014, Gates announced that he would be stepping down as chairman of Microsoft in order to move into a new position as technology adviser. In addition to Gates's transition, it was reported that longtime Microsoft CEO Steve Ballmer would be replaced by 46-year-old Satya Nadella.

These days, Gates continues to devote much of his time and energy to the work of the Bill and Melinda Gates Foundation. The organization tackles on international and domestic issues, such as health and education. One aspect of its work in the United States is helping students becoming college ready. In 2015, he spoke out in favor of national Common Core standards in grades K through 12 and charter schools.

Gates also proved to be a groundbreaking employer around this time. The foundation announced that it would give its employees a year's paid leave after the birth of a child or the adoption of a child.