

Name: _____

Day: _____

ADAM SMITH AND LAISSEZ FAIRE PHILOSOPHY

The term **laissez faire** refers to the economic policy of letting

_____. This policy favors a _____. The term is French for “let do,” and by extension, “let people do as they please.”

Laissez-faire economics stemmed from French economic philosophers of the _____. They criticized the idea that nations grow wealthy by placing heavy _____ on foreign goods. In fact, they argued, _____. These philosophers believed that if government allowed _____—the flow of commerce in the world market _____ government regulation—the economy would _____.



_____, a professor at the University of Glasgow, Scotland, defended the idea of a free economy, or free markets, in his 1776 book _____. According to Smith, economic _____ guaranteed economic progress. As a result, government should not interfere. Smith’s arguments rested on what he called the three natural laws of economics:

- the law of self-interest—People work for their own _____.
- the law of competition—Competition forces people to make a _____ product.
- the law of supply and _____—Enough goods would be produced at the _____ possible price to meet _____ in a market economy.