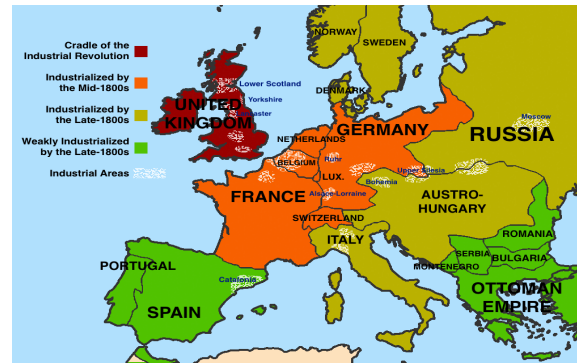
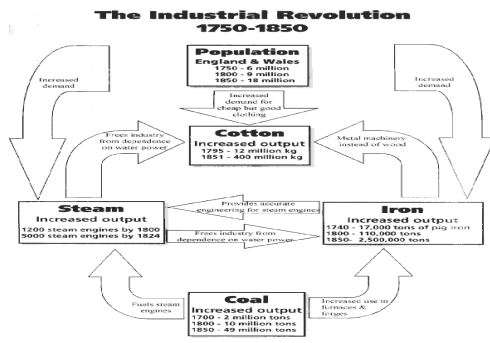


Aim: Why did new economic systems such as laissez faire capitalism develop during and following the Industrial Revolution?



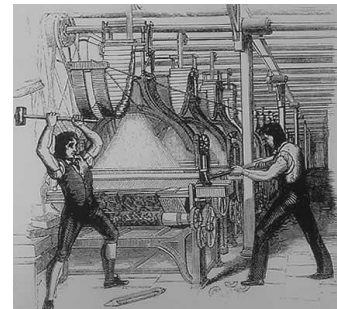
Do Now: Do you believe in public assistance? It's a yes or a no. Should the government intervene and assist people in need. Yes...no... and why!?

In industrialized countries in the 19th century, the Industrial Revolution opened a wide gap between the rich and the poor. Business leaders believed that governments should stay out of business and economic affairs. Reformers, however, felt that governments needed to play an active role to improve conditions for the poor. Workers also demanded more rights and protection. They formed labor unions to increase their influence.



Why England?

Okay, no more review... let's pick up where we last left off, and that is a widening gap between the rich and the poor. Things were getting ugly between the "haves" and the "have nots".



As a result of the economy of Britain growing so rapidly, and industrialization changing economics across the globe, there grew many new economic philosophies. These are often confusing, so make sure you are asking questions and paying close attention.

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 _____ .



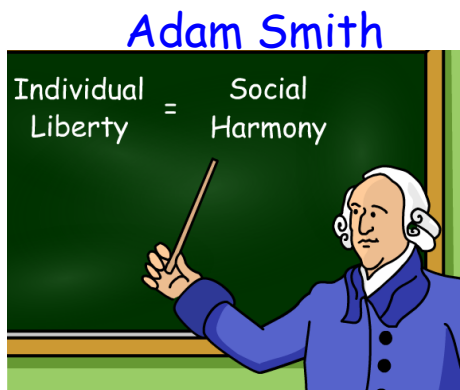
_____, a professor at the University of Glasgow, Scotland, defended the idea of a free economy, or free markets, in his 1776 book _____ . According to Smith, economic _____ guaranteed economic progress. As a result, government should not interfere. Smith's arguments rested on what he called the three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



The term laissez faire (LEHS·ay·FAIR) refers to the economic policy of letting **owners of industry and business set working conditions without interference**. This policy favors a **free market unregulated by the government**. The term is French for "let do," and by extension, "let people do as they please."

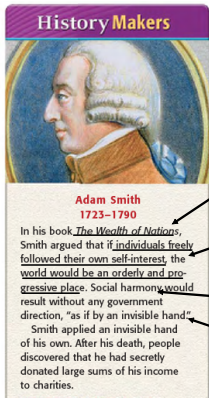
Laissez-faire economics stemmed from French economic philosophers of the **Enlightenment**. They criticized the idea that nations grow wealthy by placing heavy **tariffs** on foreign goods. In fact, they argued, **government regulations only interfered with the production of wealth**. These philosophers believed that if government allowed **free trade**—the flow of commerce in the world market **without** government regulation—the economy would **prosper**.



LAISSEZ FAIRE

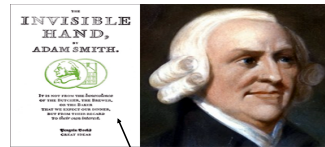
Adam Smith, a professor at the University of Glasgow, Scotland, defended the idea of a free economy, or free markets, in his 1776 book **The Wealth of Nations**. According to Smith, economic **liberty** guaranteed economic progress. As a result, government should not interfere. Smith's arguments rested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

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



Adam Smith

- Book
- Theory
- Goal
- Famous Quote



People are selfish... that is why they do things

"It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love"

Capitalism

Smith's basic ideas were supported by British economists Thomas Malthus and David Ricardo. Like Smith, they believed that natural laws governed economic life. Their important ideas were the foundation of laissez-faire capitalism. Capitalism is an economic system in which the factors of production are privately owned and money is invested in business ventures to make a profit



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The United States... are we capitalist?



Yes!

We Are!



There are two other Capitalist philosophers from this time that you must know:

Who: Thomas Malthus

Book: An Essay on the Principle of Population (1798)

Theory: Population increased more than food supply. Wars and epidemics were necessary to kill off extra people. Most people were destined to be poor and miserable.



What should the government do about this according to Malthus?



Who: David Ricardo

Book: Principles of Political Economy and Taxation (1817)

Theory: A permanent underclass will always be poor. In a market system, if there are many workers and resources, than labor and resources are cheap. This is natural. He did believe that wages would go down as population increased.

What did Ricardo think the government should do about this?



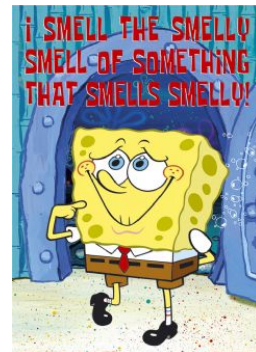
These guys did not think that the government should help poor workers. They thought that creating minimum wage laws and better working conditions would upset the free market system, lower profits and undermine the production of wealth in society.



Does this sound harsh?



Hold on though, you actually MIGHT be a capitalist-



Agree or Disagree:

Capitalism	
✓ X	• Individuals and businesses own property and the means of production.
✓ X	• Progress results when individuals follow their own self-interest.
✓ X	• Businesses follow their own self-interest by competing for the consumer's money. Each business tries to produce goods or services that are better and less expensive than those of competitors.
✓ X	• Consumers compete to buy the best goods at the lowest prices. This competition shapes the market by affecting what businesses are able to sell.
✓ X	• Government should not interfere in the economy because competition creates efficiency in business.

How do you think laissez-faire economics reflect Enlightenment ideas of challenging power and authority?



On a piece of loose leaf

I agree/disagree with Laissez-faire capitalism and I will tell you why:

I have a better idea for an economic system" or "I can improve upon laissez-faire capitalism" and I will tell you why:
