

Part Two, The Making of America:
Less. 14: *Prosperity Economics*

Name: _____

(Lesson Time 52:23)

[for Sunday, March 8, 2015]

Reading: The Making of America, pages 203-220

Chapter 8 – Prosperity Economics

Pre-lesson questions for homework study and review: [*Supplemental* notes are bracketed]

U.S. First Nation to Try System

> 1900: 6% of earth's population > Producing over 50% of everything

> Following principles of Adam Smith [Scottish] in *Wealth of Nations*, [1776]

1. IN A FREE-MARKET ECONOMY, THERE ARE GENERALLY THREE GROUPS OF PRODUCTIVE PEOPLE. CAN YOU DESCRIBE EACH OF THEM? (PAGES 204-7) Who Does the World's Work?

01 Enterpriser or Entrepreneurs

-highly creative

Establishment" or power people

-aggressive

-attempt to use govt power to favor themselves

-willing to take risks

-necessary for a prosperous nation

-Constitution structure keeps under control

-greed may lead to form of "The

02 Service and Sales People

-hard workers, professionals

-avoids radical changes

-don't take big risks

-works regular hours

[not like entrepreneurs]

03 Physical Labor Group

-muscle power -unskilled and less-skilled -entry level - move up

2. IN A FREE-MARKET SYSTEM, HOW DO PEOPLE DISCOVER WHERE THEY BEST FIT AMONG THESE THREE GROUPS? (207)

o Who is the "Working Class?" [is a misnomer]

How Are People Sorted Out? (in these Groups)

o Karl Marx – locked into early

o Adam Smith –

3. BY WAY OF REVIEW, WHAT ARE THE FOUR NECESSARY ECONOMIC FREEDOMS?

give people freedom 1-to try; 2-to buy; 3-to sell; 4-to fail

IN WHAT FOUR SITUATIONS IS GOVERNMENT INTERVENTION JUSTIFIED? (207)

Government Involved in Four Situations

01 Prevent **Force** 02 Prevent **Fraud** 03 Prevent **Monopolies** 04 Prevent **Debauchery**

4. DEFINE THE TERM PROFIT. "**Whatever is necessary to make it worthwhile for someone to provide the public with a product or service.**" WHY IS PROFIT NECESSARY IN A FREE-MARKET ECONOMY? (208) Is the Profit System Necessary? [Not to]-Marx – no profits

5. According to Adam Smith, what is true wealth? (208) - profits encourage production

What Increases the Standard of Living?

-[profit] make [s] goods abundant and cheap

6. WHICH IS MORE WASTEFUL, COMPETITION OR MONOPOLY?

Is Competition Wasteful? [Monopolies, really, end up wasting more resources]

-Marx – waste of resources. EXPLAIN. (208-9)

-Smith – improves quality, prices, quantity, variety

7. DO GOVERNMENT-IMPOSED PRICE CONTROLS EVER HAVE A PLACE IN A FREE-MARKET

ECONOMY? [No.] CITE SOME EXAMPLES OF PRICE CONTROLS DOING THE EXACT OPPOSITE OF WHAT WAS EXPECTED BY THOSE WHO IMPOSED SUCH CONTROLS. (209) [Potatoes, Steel, (esp.

balancing wire)] What do Price Controls Do? -Wipes out profits -Results in scarcity

[never in a free market, think about it!] -Black Market develops -Corruption results

8. DO YOU BELIEVE A LITTLE REGULATION OF THE ECONOMY IS DESIRABLE? Is Some Regulation Necessary? -Health, safety and sanitation only on a state or local level

WHEN AND BY WHOM? (210) -Only in a limited number of areas such as interstate transportation would the fed gov be involved

9. ACCORDING TO THE FOUNDERS, WHEN IS "BIGNESS" BAD? (PAGES 210--12) Is Bigness Bad?

-Big government was fear of founders

10. DESCRIBE THE DEVELOPMENT OF BUSINESS TRUSTS IN THE UNITED STATES. (212-14)

-Big business is necessary for

-efficiency -cheaper prices -greater quantity

-Competition must be preserved > -entry into industry [single best cure]

11. IS "TRUST BUSTING" GOOD OR BAD? (214-15) [bad]

-Most "trust busting" has been against bigness, not against monopolies

12. SHOULD GOVERNMENT EVER REDUCE THE NUMBER AND VARIETY OF PRODUCTS IN ORDER TO MAKE BETTER USE OF ECONOMIC RESOURCES? (215-16)

[No. Marketplace decides this exceptionally well.]

13. DESCRIBE HOW ADAM SMITH'S PRINCIPLES BEGAN TO BE CONSIDERED ARCHAIC. WHAT IDEAS REPLACED THEM? (216-17) Adam Smith Got Lost > Powerful people lost confidence in

system > -stopped teaching Constitutional principles -attacked Constitution as

obsolete -attacked the founders -Karl Marx' teachings became popular

14. HAS THERE BEEN A RENEWED INTEREST IN ADAM SMITH'S TEACHINGS LATELY? (217-18)

[Yes among the conservatives in the 1960s and following.]

15. DESCRIBE THE FOUNDERS' ATTEMPTS TO MAKE THE WELFARE STATE UNCONSTITUTIONAL.

(218-19) [They used and emphasized the principle of equal rights as opposed to equal things for all]

16. HOW DID THE FOUNDERS THINK THE POOR AND NEEDY SHOULD BE PROVIDED FOR? (219-20)

Founders Had Deep concern for Needy and Poor >Rejected "counter-productive" compassion

o Developed "calculated" compassion -Help needy help themselves -Satisfaction of

"earned achievement" -Climb the "appreciation ladder" -Enforce "fixed

responsibility" -self, family, church, community, county, state -never federal

government.

QUIZ Lesson 14 Chapter 8 – *Prosperity Economics*

1. THE US BECAME THE MOST PROSPEROUS NATION ON EARTH BY FOLLOWING ECONOMIC PRINCIPLES LAID OUT BY _____ IN THE BOOK _____

2. GIVE THE THREE GROUPS OF PEOPLE WHO DO THE WORLD'S WORK.

- A.
- B.
- C.

3. WHY IS IT ERRONEOUS TO LABEL ONLY ONE GROUP AS THE WORKING CLASS?

4. CATEGORIZING PEOPLE AND LOCKING THEM INTO A CLASS IS AN IDEA OF _____ .

5. ADAM SMITH ADVOCATED LETTING PEOPLE PROVE THEMSELVES BY PROTECTING FOUR ECONOMIC FREEDOMS. NAME THEM

- A.
- B.
- C.
- D.

6. ADAM SMITH SAID GOVERNMENT SHOULD ONLY INVOLVE ITSELF IN THE ECONOMY TO PREVENT FOUR THINGS FROM HAPPENING. NAME THEM

- A.
- B.

C.

D.

7. MARX SAID COMPETITION IS _____. SMITH SAID IT IMPROVES FOUR THINGS. NAME TWO.

* A.

* B.

C.

D.

8. "TRUST BUSTING" SHOULD BE AGAINST _____, NOT AGAINST _____.

9. THE FOUNDERS REJECTED _____ - _____ COMPASSION

BUT FAVORED _____ COMPASSION.

10. GIVE TWO PARTS OF THIS LATTER TYPE OF COMPASSION.

A.

B.

11. GIVE TWO MORE PARTS OF THIS LATTER TYPE OF COMPASSION.

A.

B.