

## Part One, American Government and U.S. Constitution

### Lesson 16: Principle 15 -Property Rights Essential to Liberty

Name: \_\_\_\_\_

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## Part II: The Founders' Basic Principles – 28 Great Ideas that Changed the World

Lesson 16 Time: 44:33 [for Sunday June 18, 2014]

The 5000 Year Leap: 15th Principle: Reading Assignment:

### Free-market Economics (pages 179-91);

**15. The highest level of prosperity occurs when there is a free market economy and a minimum of government regulations.**

**Lesson objectives:** As a result of this lesson, the student should be able to discuss the following questions/topics:

1. WHERE DID THE FOUNDERS FIND DIRECTION REGARDING THE KIND OF ECONOMIC SYSTEM THEY SHOULD SET UP? (PAGES 179-80)

#### Prosperity Economics

[Are There] Natural Laws of Economics?

o Adam Smith

o Published *Wealth of Nations* in 1776

o " think, not easy reading – 1<sup>st</sup> sense of 'free-enterprise' [never heard-of before this date!]

-Wealth is not gold and silver

-Wealth is having things that make life comfortable – housing food, clothing, transportation, etc.

o How? – freedom!

2. NAME SIX ELEMENTS OF ADAM SMITH'S FREE-MARKET FORMULA. (180)

Make Things Abundant and Cheap So All Can Have

01 Specialized production

02 exchange goods in a free market ("bartering")

03 based on supply and demand

04 competition regulates prices

05 profits make transactions worthwhile

06 competition produces

- quality

- quantity

- lower prices

3. FOR ANY NATION TO MAXIMIZE FREEDOM AND PROSPERITY, WHAT FOUR LAWS OF ECONOMIC FREEDOM MUST BE MAINTAINED? (180-81)

Four Laws of Economic Freedom

1 The Freedom to try

2 The Freedom to buy

3 the Freedom to sell

4 the Freedom to fail

-the video of the ball point pen - Mr. W. Cleon Skousen

The most destructive force in a free market is government interference

- o fixing prices
- o fixing wages
- o controlling production
- o controlling distribution

4. IDENTIFY FOUR AREAS WHERE, ACCORDING TO THE FOUNDERS AND ADAM SMITH, GOVERNMENT CAN LEGITIMATELY INTERVENE IN THE ECONOMY. (181-82)

Government Should (Do):

- o Prevent illegal force
- o Prevent fraud
- o Prevent (permanent) monopoly (or the keeping of others from entering into the same)
- o Prevent debauchery (playing on weakness of others, e.g. drugs, prostitution)

5. DESCRIBE THE EVENTS THAT OCCURRED AROUND 1900 THAT CAUSED ADAM SMITH'S FREE-MARKET FORMULA TO BE REPLACED. WHAT REPLACED IT? (182-85)

Adam Smith's Formula Got Lost

- o Prominent leaders lost confidence in system
- o Karl Marx's philosophy became popular (socialize capitalistic system)

Lost Control of Our Money

- o Constitution gives authority to Congress
- o Congress gave power to Bankers
  - Federal Reserve System (1913)
  - Fractional Reserve Banking
    - "sell a horse" four times (at different times)

6. ARE AMERICANS REAWAKENING TO THE WISDOM OF ADAM SMITH? (185-86)

Jefferson, Jackson, Lincoln – tried to return US to sound money.

Civil war to be funded with Lincoln's "greenbacks"

(promissory notes without interest to be redeemed after the war, could have succeeded)

- o Tried to get "wealth based" money
- o borrowing money with no interest
- o bankers were frantic and tried to stop (quote)

7. WHAT MAJOR REFORM MUST TAKE PLACE BEFORE FREE-MARKET ECONOMICS CAN BE FULLY RESTORED? (187)  
[not in video] 1. Congress issues it's own money. 2. All loans must be based on *existing* assets only!

8. WHAT WAS THOMAS JEFFERSON'S WARNING ABOUT ALLOWING PRIVATE INTERESTS TO CONTROL OUR MONETARY SYSTEM? (188-90)

Creates an impending catastrophe. Euphoria of debt paid for a loss exceeding many times the debt.

9. WHEN HARD-FOUGHT REFORMS BROUGHT AMERICA CLOSE TO AN IDEAL MONETARY SYSTEM, WHAT DID THE POWER CENTERS OF EUROPE HAVE TO SAY ABOUT IT? (190)

It was harshly condemned and called a threat to money management that destroys all monarchies.