

IS ADAM SMITH'S CAPITALISM A GOOD ECONOMIC SYSTEM FOR NATIONS TO FOLLOW?

Historical context: In 1776, Adam Smith, a British economist and Enlightenment philosopher, wrote an influential book entitled **The Wealth of Nations**. Many nations including America, were influenced by his ideas regarding **capitalism**, an economic system where private individuals own the means of production (capital, labor, entrepreneur) The following are two of his most important ideas concerning **capitalism**.

Laissez-faire capitalism is a system where the government does NOT interfere at all in the affairs of any private business.

In order for capitalism to function successfully, there must be competition between businesses.

Directions : Answer the following questions on Adam Smith's ideas about capitalism.

- 1) The United States government has established a \$9.00 minimum wage for all workers. Adam Smith would **agree / disagree** with this policy because: _____

- 2) I think that the minimum wage is a _____ idea because _____

- 3) The US Congress is considering passing a law that states that doctors may only earn \$50, 000 a year in salary. Adam Smith would **agree / disagree** with this law because: _____

- 4) One positive effect of this law will be _____

- 5) One negative effect of this law will be _____

- 6) Microsoft has bought up all of the computer software companies and now controls all of the computer software in America. Adam Smith would **agree / disagree** with this because _____

- 7) One negative effect of Microsoft's monopoly would be _____

- 8) Saul opens up a pizza parlor on 76th St. and Jamaica Ave. So does Alexis. So does Erik. So does Barbara. Adam Smith would **agree / disagree** with this action because _____

- 9) Based on this example, the price of pizza would go _____ because _____
