

THE LOCKE SOCIETY

LIFE, LIBERTY & EDUCATION



Unit

Topic

Industrialization

The Origins of Capitalism

Lesson Plan

Aim

To determine if capitalism creates a favorable society by evaluating its tenets and objectives.

Rationale

As students begin to learn about the growth of America as a superpower, it is important for them to know what made it possible. Among the many reasons America became so powerful is its roots in capitalism. Students should understand the origins of capitalism according to its founder Adam Smith and his book *The Wealth of Nations*. At the end of this lesson, students will have a more unbiased view of capitalism since its founding book is used as the text. Students should have the opportunity to recognize the benefits of capitalism, but also begin to discover their own values and how they match those of Adam Smith.

Student Learning Objectives

Students will be able to determine if capitalism creates a favorable society by evaluating its tenets and objectives.

Students will be able to make a logical argument supporting their own claim.

Civics Connection

- How have social, political, and economic responsibilities developed over time and how do they impact the growth of a nation?
- How does one contribute to an evolving political, social, or economic system individually and as a group?
- What issue(s) does this topic remind you of today? What action would you take in response?

*See the *Civics Connection Through Questioning* guide in *Civics* for more ideas.

Vocabulary

Capitalism	profit motive	“invisible hand”	competition
Adam Smith	supply and demand	laissez-faire	division of labor
<i>Wealth of Nations</i>	free market	incentive	



Materials and Resources

1. Resource: Excerpt from *The Wealth of Nations* by Adam Smith
<http://www.sjsu.edu/people/cynthia.rostankowski/courses/HUM2AF13/s3/Reader-Lecture-08-Adam-Smith-Wealth-of-Nations-Reading.pdf>
2. Text: Modified excerpt from *The Wealth of Nations* by Adam Smith
3. Handout: Note-taking organizer
4. Handout: Discussion Questions

Procedure

Do Now:

How does economics determine the life of individuals and the life of a country?

Lesson:

The teacher will discuss the “do now” question with examples of economic freedom and restrictions that are familiar with students already. They may use personal examples or examples related to the country as a whole. This should allow for a discussion on responsibility and the natural order of how businesses and people operate.

Collaborative/Independent Work 1:

Students will read the excerpt from *The Wealth of Nations* and complete the organizer to support note-taking and interpretation of the main ideas. Then, students should complete the discussion questions independently to allow them to find their own opinions before hearing those of others. After this, students may discuss their answers to the questions with their group.

*See *extension* activity if time allows.

Share:

The teacher will review the tenants of capitalism to make sure note-taking and interpretation is accurate. Then, the class will engage in a whole-class discussion based on the discussion questions.

Close:

“Government is instituted to protect property of every sort; as well that which lies in the various rights of individuals, as that which the term particularly expresses. This being the end of government, that alone is a just government which impartially secures to every man whatever is his own.” – James Madison, *Essay on Property*, 1792

Do you agree with Madison? Explain why or why not using the principles of capitalism.

Modifications

- The teacher may leave the *principles* column on the handout blank to allow for students to find them on their own from the reading.
- The teacher may provide a list of defined vocabulary words or modify the text to a shorter version.

Extension

In groups, students should work on creating a visual representation of capitalism that is strictly informational to define how the system works. This should be in a chart-like format that tells what capitalism is without giving an opinion.



Notes

**Use discretion for activities according to what is appropriate for your class.*



The Wealth of Nations (1776) [modified]

The Economic Philosophy of Adam Smith

[Adam Smith can rightly be considered one of the most influential thinkers of the Enlightenment. He studied moral philosophy at Oxford and in his mid-twenties conceived of an economic philosophy of "the obvious and simple system of natural liberty," which the world would come to know as capitalism. In response to the restrictive emphasis of mercantilism, Smith conceived of an expansive universe, full of opportunity for the individual or nation to exercise initiative, accumulate wealth, and serve others in the process. The following selection is an excerpt from his major work, *The Wealth of Nations*. It focuses on Smith's view of human nature and the "invisible hand" of competition as a guide to an economic system based on individual self-interest.]

Human Nature and the Division of Labor

This division of labour, from which so many advantages are derived, is not originally the effect of any human wisdom... It is the necessary, though very slow and gradual, consequence of a certain propensity in human nature which has in views no such extensive utility; the propensity to truck, barter, and exchange one thing for another.

It is common to all men, and to be found in no other race of animals, which seem to know neither this nor any other species of contracts.... In civilized society, [man] stands at all times in need of the cooperation and assistance of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons. In almost every other race of animals each individual, when it is grown up to maturity, is entirely independent, and in its natural state has occasion for the assistance of no other living creature. But man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favour, and show them that it is for their own advantage to do for him what he requires of them. Whoever offers to another a bargain of any kind, proposes to do this. Give me that which I want, and you shall have this which you want, is the meaning of every such offer; and it is in this manner that we obtain from one another the far greater part of those good offices which we stand in need of. 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, and never talk to them of our own necessities but of their advantages....

The difference of natural talents in different men is, in reality, much less than we are aware of; and the very different genius which appears to distinguish men of different professions, when grown up to maturity, is not upon many occasions so much the cause, as the effect of the division of labour. The difference between the most dissimilar characters... seems to arise not so much from nature, as from habit, custom, and education.

Among men... the most dissimilar geniuses are of use to one another; the different produces of their respective talents, by the general disposition to truck, barter, and exchange, being brought, as it were, into a common stock, where every man may purchase whatever part of the produce of other men's talents he has occasion for....



The Invisible Hand

He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. . . He intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention.

The statesman, who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.

In every country it always is and must be the interest of the great body of the people to buy whatever they want of those who sell it cheapest.

This very competition, however, is advantageous to the great body of the people, who profit greatly besides by the good market which the great expense of such a nation affords them in every other way....



Adam Smith's Economic Philosophy of Capitalism

Principle	Quote	Own Words
Competition		
Incentive		
Laissez-Faire "Invisible Hand"		
Supply and Demand		
Human Nature		



Discussion Questions

1. How has the economic system of capitalism allowed the United States to grow into a nation of wealth, opportunity, and freedom?
2. According to your own analysis what are the benefits and drawbacks of capitalism? Explain.
3. According to your own analysis, *who* benefits in the system of capitalism? Explain.
4. Does capitalism create a favorable society? Explain why or why not. If not what should be changed?

