Principles and Precepts of Economics

This chapter requires a companion activity book in which students respond to questions on text content. Answers are found in the Teacher's Resource Kit.



Chapter 2 Text

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Principles and Precepts of Economics



Topic 1
Fleeing Tyranny in England

Chapter 2

Section One

The Early Years
Seeds of Economic Liberty

Fleeing Tyranny in England





Journeying into America's past requires careful preparation. Suppose you went for a hike in the crisp, cool Vermont woods in the late fall, when the last of the leaves were falling from trees. If you failed to bring along water, jacket, and compass, you might become thirsty, cold, and lost! Also, you would most likely fail to appreciate and enjoy the natural beauty surrounding you.

Likewise, in order for you to appreciate, enjoy, and understand American capitalism, your preparation will include a review of some basic concepts from Chapter 1, and then a brief exploration of English history. That way, the American economic experiment has a ***context***, as well as effects and causes. Those effects become causes for other effects in the future. So it was with America's foundations.

Chapter One reviewed the Middle Ages, often called the Dark Ages; a time of ignorance and isolation. The Dark Ages were followed by the Renaissance, or rebirth: an awakening of interest in art and literature that started in Florence, Italy. Commercial trade that had continued there during the Dark Ages enabled Italy to escape many of the hardships faced by other European regions. Around the 14th Century, kings throughout Europe consolidated power and expanded their territories, helping to bring an end to the isolation of feudal kingdoms. This was a time of nation-building; and traveling armies soon discovered the Renaissance in Italy. Adventurous travelers from across Europe brought ideas of the Renaissance back to their respective countries. The influx of Renaissance ideas awakened innate desires of men to learn, to explore, and to improve their lives. This desire to learn truth led to a hunger and thirst among common people and scholars for access to the Bible.

VOCABULARY

Context: information surrounding a thing that helps it to be understood

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As learning increased throughout Europe, brave men like John Wyclif (14th Century), Martin Luther, and William Tyndale (15th Century) began translating the Bible into languages of the common people. Thus, the Protestant Reformation grew out of the Renaissance. Translators had to be courageous, because the Catholic Church taught and enforced the concept that only the Catholic clergy could read and interpret the Bible. Common people were not allowed access to the Bible, and were dependent upon the Catholic clergy for spiritual instruction. Anyone who challenged the Church's authority might be tortured, imprisoned, or put to death.

WATCH VIDEO: The Protestant Reformation

As people began to read the Bible for themselves in English, Dutch, French, and German, the monopoly on religion that had been held by the Catholic Church for centuries was challenged. Protestants (those who protested the doctrines and authority of the Catholic Church) soon followed the lead of the Ana-Baptists, a group of ***Biblicists*** who had always refused to submit to Catholic authority. These people, known by many names since the time of Christ, had been greatly persecuted by the Church for practicing beliefs that contradicted those of the Catholic Church. Biblicists accepted the Bible alone as the Word of God, disregarding extra-Biblical Catholic Church teachings and decrees of Popes. Ana-Baptists' views varied from those of the Catholic Church in many areas; a comparison chart between the two groups is on page three.

Understanding these doctrinal differences is important, because men who led the Protestant Reformation embraced several Ana-Baptist teachings; not because the men were influenced to any extent by Ana-Baptists, but because the reformer's own study of the Bible led them to similar conclusions.

The Ana-Baptists were never a real threat to the power of the Catholic Church. There were too few of them, and they were scattered across several continents, having been persecuted so heavily by the Church. The Protestant Reformation, however, greatly threatened the Catholic Church's hold on its political, economic, and religious power in Europe. Conflict arose because people were hungry for knowledge that could be applied to efforts to raise the standard of living across Europe. The Reformation not only birthed a flood of knowledge, but also elevated economic options for common people.

The Protestant Reformation grew for several reasons. One has already been mentioned, and it is of fundamental importance: as more people read the Bible, they developed ***convictions*** that differed from Catholic teachings. Several educated men had begun to question doctrines of


Martin Luther

VOCABULARY

Biblicists: people who accept the Bible alone for faith
Convictions: strongly held beliefs
Apocryphal: writings of questionable authorship or authenticity
Holy See: seat of power of the Roman Catholic Church, in Rome

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Historical Comparison of Catholic and Ana-Baptist Teachings

Doctrine	Catholic Teaching	Ana-Baptist View
Salvation	Faith & works (including keeping the Sacraments) are necessary for salvation	Faith in Christ alone (His death, burial, & resurrection) ensures salvation
Baptism	**Mode**: Sprinkling of water **Candidates**: Infants **Purpose**: Cleanse the infant from "original sin"	**Mode**: Complete immersion under water **Candidates**: Those who have received Christ as Saviour (old enough to understand) **Purpose**: A picture of the death, burial, & resurrection of Christ; an outward demonstration of conversion (no saving merit)
Communion	Doctrine of *Transubstantiation*: clergy converts bread and fruit of the vine into the literal body & blood of Christ for church members to consume, thus enabling them to "receive Christ"	The bread and fruit of the vine are a picture of the broken body & shed blood of Christ taken as a memorial of Christ's sacrifice (they are symbolic)
Bible	**Content**: Consists of the Old & New Testaments of the Bible, and the ***Apocryphal*** books **Availability**: Only the clergy may read and interpret	**Content**: Contain only the Old & New Testaments; the Apocryphal books had been rejected as Scripture by the early churches **Availability**: Anyone can read and interpret
Afterlife	There is a literal heaven, hell, and purgatory (the latter for those too good for hell, but not good enough for heaven – a place of cleansing through suffering until such time as they may be permitted into heaven)	Heaven for the saved (those who have trusted in Christ as Saviour), and hell for the lost (those who have rejected Christ as Saviour)
Church and State	The Church should rule over the State with only Catholics serving in positions of political authority (the ***Holy See*** exists as a political state in and of itself)	Church & State should be separate, with Christians placing obedience to God above obedience to the State when disagreements arise

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the Catholic Church, but not until a German monk named Martin Luther began to protest Church teachings, did the floodgates of rebellion against the Church open. In fact, Luther is credited with having started the Protestant Reformation.

Luther opposed several key doctrines of the Church. Of paramount importance was the doctrine of salvation. Like the Ana-Baptists, Luther came to believe that salvation from the consequences of sin was by faith in Christ alone, without any ***admixture*** of works (human effort). Salvation was, thus, a personal decision that anyone could make, and no spiritual intervention by Catholic clergy was needed on behalf of sinners, or for ***sacraments*** in which Catholics had to participate to be saved. Luther also opposed Catholic teachings on ***indulgences*** and purgatory.

October 31, 1517, is considered the official beginning of the Protestant Reformation. On that day, Luther nailed a list of 95 theses (disclosures) to the Church door in Wittenberg, Germany. His theses spelled out perceived abuses and errant doctrinal teachings of the Catholic Church. Luther was quickly condemned by Catholic Church officials, and eventually fled their persecution. He established the Lutheran Church in Germany, and soon other Protestant reformers started their own churches and denominations as well.

VOCABULARY

Admixture: the state of being mingled or mixed together
Sacraments: actions that impart divine grace, necessary for salvation
Indulgences: items purchased for release from penalty of sin or purgatory

Men like John Calvin and Ulrich Zwingli led their own reform movements, following conflicts with Catholic Church officials. Calvin's Reformed theology led to the eventual formation of several Protestant churches, such as the Presbyterian Church. His famous and influential work, *Institutes of the Christian Religion*, had a profound impact on early America. Zwingli's movement did not lead to establishment of a new church, but his teachings were influential. Ironically, while Luther, Calvin, and Zwingli promoted religious freedom to oppose Catholic doctrine, all three persecuted Ana-Baptists for not accepting Reformation doctrinal views on several issues. Most significantly for our study, like Catholic Church officials, Protestant Reformers believed generally that the church and political system should be united, which Ana-Baptists (later called Baptists) rejected. The Baptist view on separation of church and state played a major role in American economics, as we will see later in the chapter.

The Protestant movement in England was not started by a religious enthusiast, but rather by King Henry the VIII, over a divorce! Henry wanted to divorce his wife, Catherine of Aragon, who had not birthed a male heir to the throne. Henry wanted to marry young Anne Boleyn. Divorce was strictly forbidden by the Catholic Church, and Henry needed the Pope's permission, which he did not get. The reason may not have been for the sanctity of marriage as one might suppose, but rather because


Henry VIII

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Catherine's nephew, Holy Roman Emperor Charles V, provided the Pope with protection from his enemies!

Henry decided to start the Church of England (later called the Episcopal or Anglican Church). The King of England was decreed head of the Church, and thus Henry got his divorce. He did not get his male heir, however, for Anne did not bear him a son, but a daughter (Elizabeth I). Anne was later beheaded by Henry for "treason", which allowed him to marry his third wife, Jane Seymour. Henry's immoral behavior, associated with the Church of England, added justification for Separatists to seek a place of religious freedom.

The Church of England was largely Catholic in its doctrine, and over time, ***sects*** arose within as people tried to bring the Church of England more in line with Biblical teachings. The Puritans believed the Church of England was doctrinally corrupt, but could be changed, or "purified" from within. The Separatists believed it was too corrupt to be saved, and wanted to separate from it altogether. Both groups suffered persecution from the monarchy, Church leaders (clergy), and ***laypeople***. Eventually, persecution against Puritans and Separatists became so great, groups of ***Dissenters*** decided to leave England in search of greater religious, political, and economic freedom. Those groups became known as Pilgrims…travelers in search of a new home.



Elizabeth I

Religious persecution was the main reason for the woes of dissenters. In England, everyone had to belong to the Church of England, which meant forced attendance at church meetings, forced ***tithing***, and strict adherence to all other church doctrines. In addition, the Church controlled education, with strict censorship of books and other publications preferred by Dissenters. During the reign of Elizabeth I in the 1590s, anyone who attended a religious meeting other than a Church of England ***sanctioned*** service would be imprisoned. Second offenses brought banishment from England, and a person with the audacity to return to England and commit a third offense was executed. Religious dissenters fared no better under Elizabeth's successors, the Stuart monarchs.

In terms of the economy, the English government sought to continue the practices under mercantilism, and opposed capitalist ideas. Government officials sought to control industry, wages, trade, and working conditions. In many ways, the English government was a collectivist entity, subverting individual rights for the "good" of the country.

The extensive controls government placed on individual economic liberty were *egregious* to Puritans and Separatists,

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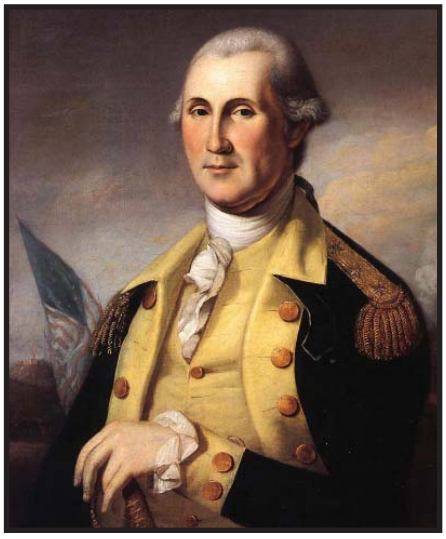
Sects: religious factions, sub-groups
Laypeople: non-clergy
Dissenters: those with a strong difference of opinion
Tithing: giving ten percent of one's income to a church
Sanctioned: permission or approval that made a course of action valid
Egregious: something that stands out as supremely bad; offensive

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who subscribed to Judeo-Christian values of economic liberty and freedom of association. Even Englishmen loyal to the Church of England sought greater economic opportunity in new English colonies in America.

LIFE PRINCIPLE:



"Perseverance and spirit have done wonders in all ages."

-George Washington, Founding Father and First U.S. President

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Principles and Precepts of Economics



Topic 2
An Economy Based on Biblical Principles

Chapter 2

Section One
The Early Years
Seeds of Economic Liberty

An Economy Based on Biblical Principles



Two motivating factors led to English settlement of North America: God and gold. In other words, people came to America for religious freedom and economic freedom. While other countries had explored and even established limited settlements in the Americas, English settlers established colonies that would eventually become the United States. Understanding the values of early English settlers helps us gain insight into the impact they had on the economic development of the future United States.

The first colonies established were business ventures. People pooled their money to form ***joint-stock companies*** to finance voyages and settlements. Investments were made, based on the expectation that colonies would become a rich source of natural resources that could be sold to the English government and manufacturers. If a settlement was successful, investors would earn a sizeable financial return on their investments. If not, they would lose money. Unfortunately, that is what happened with the first English attempt at establishing a colony in America.

The earliest English settlement in America disappeared without a trace. In 1587, Sir Walter Raleigh established a colony near present-day North Carolina on Roanoke Island. Settlers included 90 men, 17 women, and 9 children who settled on Roanoke Island, while their transport ships returned to England. The optimistic settlers believed their supplies would last until additional supply ships could return.

At that time, England was at war with Spain, so traveling the Atlantic could be hazardous for an English ship. Wars often disrupt economic endeavors of people pursuing their own happiness. Due to the Spanish Navy's ***blockade***, the English were

VOCABULARY

Joint-stock companies: companies formed when people pooled money for investment
Blockade: stopping travel to or from an enemy's ports or harbors

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not able to resupply the colony at Roanoke until three years later, in 1590.

WATCH VIDEO:
The Lost
Roanoke Colony


Sir Walter Raleigh

When Raleigh finally returned, he discovered that all 116 people had vanished. The only clue left behind was the word "CROATOAN" carved into a tree – the name of the local Indian tribe. To this day, no one can say with certainty what happened to the settlers. Many believed they were massacred by Indians. Others seem to think that some settlers died and others were assimilated into local Indian tribes. The "Lost Colony of Roanoke" remains a mystery to this day. What is not a mystery, is the fact that this failed colony cost many investors a great amount of money.

The second English colony, established at Jamestown, Virginia, in 1607, had a better outcome. It was named after King James I, who had granted a charter for settlement to a group of merchants known as the London Company. While the primary purpose of the settlement was an economic one, colonists expressed a strong desire to share their Christian faith with Indians. Here is a brief excerpt from their charter:

> *…by the providence of Almighty God, … to the glory of His Divine Majesty, in **propagating** the Christian religion to such people, as yet live in darkness and miserable ignorance of the true knowledge and worship of God.*

It is interesting to note that, while the Jamestown settlement was an official business venture, the settlers were motivated to practice their Protestant faith in the New World. Unfortunately, the desire of some to find a fast path to riches, contrary to the ***Protestant work ethic*** of others, led to immediate problems. Very rarely does a person come by wealth easily with little labor and effort; financial success can take many years of hard work. At first, many settlers at Jamestown ignored that key economic principle.

Many of the 144 early settlers were high-class "gentlemen" who refused to work, and spent much of their time digging for gold, rather than growing crops and building houses. Therefore, they were poorly prepared for harsh weather and lacked knowledge for surviving in the new land. They had landed in a swampy, unhealthy location, and disease claimed many lives. Colonists also faced attacks from Indians, and many settlers starved. By the end of the first year, only 38 of the original colonists had survived. Finally, Captain John Smith issued an ***ultimatum***,


Captain John Smith

VOCABULARY

Propagating: act of spreading a belief or practice
Protestant work ethic: belief in work as a moral good (also called Judeo-Christian work ethic)
Ultimatum: a final demand

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based on a biblical principle, that if any man would not work, neither would he be allowed to eat.


Tobacco Plant

Eventually, colonists learned how to take care of themselves, by growing crops and building suitable housing. Friendly Indians assisted to a great extent. Since the official purpose of the colony charter was to make money, colonists eventually started to grow tobacco as a cash crop. This labor-intensive crop required many workers to make production profitable. To attract workers, *incentives* (including free land) were offered by investors. Homeless children from London were brought over to work as ***apprentices***. Convicts, farmers who had lost their land, and poor people in general, were recruited to work in American tobacco fields. Eventually, ***indentured*** servants arrived from Europe to work for employers for four to seven years in exchange for passage to America, and room and board on farms. They were bound by contract, and could not leave their indenture until their time was served. Working in tobacco fields for seven years might seem hard, but in those days, any work that provided for a man's living was considered a very good opportunity.

VOCABULARY

Apprentices: someone who works for a craftsman to learn his trade
Indentured: bound by contract to work for a set time

Over time, many indentured servants were brought to the New World to learn trades, working for such diverse craftsmen as blacksmiths, silversmiths, coopers (barrel makers), printers, and carpenters. Even the poorest person could escape poverty in England by sailing to America as an indentured servant, learning a worthwhile trade, and then starting a business after the indenture was completed. Many indentured servants eventually became wealthy businessmen. Opportunity in America was boundless because of the free enterprise system established during America's earliest days. If a settler was willing to work hard, save money, and invest in the future, opportunities were almost limitless. The primary exception to that pertained to African slavery.

In 1619, twenty African slaves were brought to Jamestown by a Dutch ship. Most slaves were treated as indentured servants, and released after a period of time. In the early colonies, ethnicity was not a primary factor regarding slavery. The African slave trade started when Muslim invaders captured Africans in the 7th Century and sold them into slavery. Muslims encouraged Africans to sell their prisoners of war, as well. As with ancient Greeks and Romans, slavery was forced upon prisoners of war, regardless of ethnicity. The African slave trade grew worldwide when exploration enabled long voyages on large ships. Africans often captured other Africans to sell as slaves in exchange for European trade goods.

Slavery is devastating for many reasons, but it is also very bad for an economy. You will learn more about that later; but for now, the important point is that you recognize that Northern Colonies in America never embraced, nor relied upon, slavery. This was due in large part to their values, which arose from their Judeo-

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Christian worldview. In fact, Northern Colonies were founded by Pilgrims, primarily for purposes of religious liberty, which actually led to even greater economic opportunities later as the colonies expanded.

Pilgrims were Separatists who had left the Church of England, feeling it had strayed too far from biblical doctrines. In England, Separatists were persecuted, jailed, and even killed because of their faith. Finally, in 1607, they left England and settled in Holland. While they enjoyed religious freedom in Holland, they faced other difficulties. Pilgrims endured relentless toil, poverty, and concern about losing their English culture and heritage as their children became more like the Dutch. Pilgrims made the decision to leave for America.

Pilgrims sailed to America in 1620, departing on the ship ***christened*** *Mayflower*. Pilgrims were not the only passengers, as several "strangers," as Pilgrims called them, joined the voyage. Strangers were people seeking better economic opportunities in the New World. With 102 men, women, and children crowded into the tiny ship, which measured only 90 feet long and 26 feet at mid-ship, they braved the stormy Atlantic for what became a 65-day voyage.

Originally intending to land in Virginia, and with their charter signifying that fact, Pilgrims instead landed much further north, off the coast of Massachusetts, where they established Plymoth Colony. As a result of this unintended situation, and with strangers among them, the Pilgrims felt the need to create a document establishing a lawful government by which all colonists would pledge to live. The resulting Mayflower Compact established the first, self-governing political document in America. It reads, in part:

Having undertaken, for the glory of God, and advancement of the Christian faith, and honor of our King and Country, a voyage to plant the first colony in the northern parts of Virginia, do by these presents solemnly and mutually, in the presence of God, and one of another, covenant and combine our selves together into a civil body politic, for our better ordering and preservation and furtherance of the ends aforesaid; ....



Signing of the Mayflower Compact

The Mayflower Compact embraced Judeo-Christian principles of individual rights and personal responsibility, which established a self-governing colony based on the concept of liberty.

This liberty eventually led to great economic prosperity. As will be seen in the next lesson, however, the Pilgrims faced many hardships and made some bad decisions, which initially hampered the opportunity for economic development.

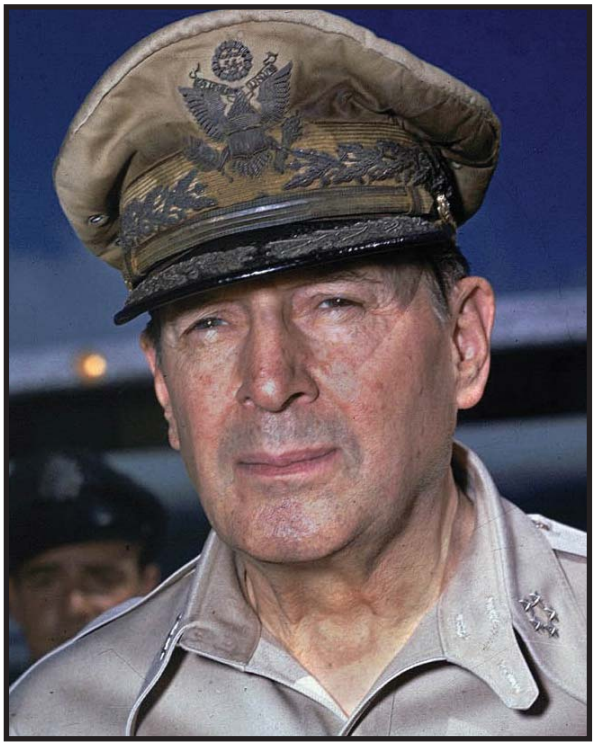
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Christened: named and dedicated with a ceremony

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LIFE PRINCIPLE:



"There is no security on this earth; there is only opportunity."

-General Douglas MacArthur, WWII hero

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Principles and Precepts of Economics



Topic 3
A Bad Experiment

Chapter 2

Section One

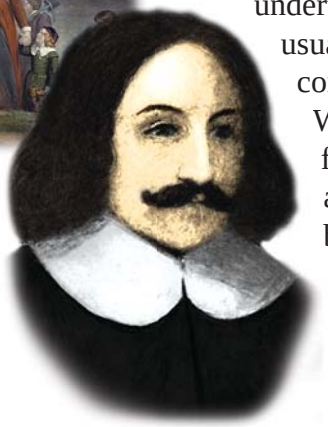
The Early Years
Seeds of Economic Liberty

A Bad Experiment









Pilgrims faced many hardships. In reality, all early colonists who arrived in America faced these hardships. After surviving perils of the sea, settlers discovered that much of their foodstuffs had spoiled ***en route***. Given the distance from England, and difficulty in sea travel, colonists could not expect resupply from England on a regular basis, if at all.

The English government never financed voyages to the New World. Each voyage was undertaken and funded by private citizens, usually in the form of joint-stock companies seeking economic profits. While motivation of settlers varied from a desire for religious liberty and ***evangelism***, to a desire to become better-off economically, virtually all colonies were intended to be profitable.

At the time of America's exploration by English settlers, land in England was owned by wealthy families. Even moderate portions of land were very difficult to acquire. Most land was passed on from one generation to the next, within families. Also, land shortages on the English island contributed to depletion of natural resources. American Colonies were needed to provide resources to sustain England's economy.

These circumstances led entrepreneurs to invest capital in very expensive and very risky voyages to America. But, economic conditions in England were not the only motivation for settlement in America. Certainly, religious persecution and a lack of economic opportunity drove many people from England. On the positive side, English businessmen knew that America was a

VOCABULARY

En route: along the way
Evangelism: proclaiming a religious message
Recompense: payment for a service

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Comparison of Founding and Contemporary Economic Principles

Founding Economic Principles	Contemporary Economic Principles	Differences
If any man would not work neither should he eat.	All people should be given free food, regardless of their own efforts or productivity.	Founding principles stipulated that individuals are responsible for providing for their own needs. Modern economics stipulates that personal effort is not a factor, and people have no consequences for laziness.
The ***recompense*** of a man's hands shall be rendered unto him.	People are entitled to the fruits of other men's labors, regardless of the recipient's personal contributions to productivity.	The Founders believed that each person was entitled to keep what he/she earned; the harder one worked, the greater the compensation. Modern economics contends that rewards earned through effort belong to the collective; that individual productivity should not result in greater personal gain, and working less does not result in a smaller portion.
You shall not steal	Property belongs to the state, or collective.	The Founders believed individual rights were absolute. With modern economics, individual rights are unimportant and the perceived needs of the collective dominate economic policies.
You shall not covet.	Since property is viewed as belonging to the state, something demanded by the people will be provided at the expense of other individuals.	The Founders warned people not to have strong desires for things to which they were not entitled. With modern economics, desiring what someone else has can lead to forced confiscation of private property for redistribution to others.
Provide for your family.	No need to worry about working and saving, since the state will take care of everyone's needs from cradle to grave by taxing people who work.	Pilgrims were encouraged to work, invest, and save for their future. Progressive economic policies provide no incentive to be productive for the present or the future.

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land of vast proportions, unlimited natural resources, and incredible opportunity for anyone who embraced the Judeo-Christian work ethic. These advantages drew Englishmen to America.

A better understanding emerges regarding the incredible success of early American settlers who subscribed to economics based on the Founders' biblical concepts of individual responsibility. See the comparison chart on the previous page.

Early American economic principles emphasized rights and responsibilities of individuals, while progressive economic systems restrict individual rights and emphasize authority of the collective, usually the state, over individuals.

Ironically, the early Pilgrims experimented with a form of collectivism in order to survive. Pilgrims were low on supplies and began to starve. Diseases were also killing settlers. Local Indian tribes, largely decimated by diseases themselves, came to the Pilgrims' rescue. Teaching settlers to grow corn and other crops, Indians most likely saved the Pilgrims' lives.

You are probably familiar with the story of the first Thanksgiving, whereby a feast was held by Pilgrims in 1621 to celebrate, with Indians, blessings from God and His ***superintending*** care.

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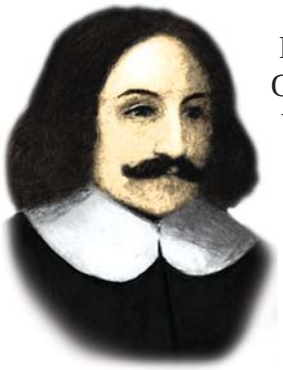
Superintending: overseeing something with care
Retard: to slow down
Repine: complain



First Thanksgiving in America

Regarding the collectivist experiment, the plan was that, for the first seven years, all land would be held in common, and everyone would be fed and clothed from community supplies.

In essence, land was owned communally with families assigned to work the collective farms. Regardless of effort, everyone would receive a given portion of the fruits of their collective labors. In addition, domestic chores such as laundry were also shared amongst the women, with all women held responsible for these tasks, regardless of whose family or husband would benefit. In other words, one man's wife might end up washing another man's clothes.



William Bradford

In the words of Governor and historian William Bradford:

For this community (so far as it was) was found to breed much confusion and discontent and ***retard*** *much employment that would have been to their benefit and comfort. For the young men that were most able and fit for labor and service did* ***repine*** *that they should spend their time and strength to work for other men's wives and children, without any recompense. The*

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*strong, or man of parts, had no more in division of **victuals** and clothes than he that was weak and not able to do a quarter the other could; this was thought injustice… And for men's wives to be commanded to do service for other men, as dressing their meat, washing their clothes, etc., they deemed it a kind of slavery, neither could their husbands well [tolerate] it.*



Discontent Pilgrims under collective system

After collectivism greatly worsened the condition of Pilgrims, Governor Bradford quickly established a free enterprise system of individual ownership. He explained:

This had very good success, for it made all hands very industrious, so as much more corn was planted than otherwise would have been by any means the Governor or any other could use, and saved him a great deal of trouble, and gave far better content. The women now went willingly to the field and took their little ones with them to set corn, which before would allege weakness and inability, whom to have compelled would have been thought great tyranny and oppression.

As Governor Bradford revealed, once individual ownership of property was established, colonists prospered, and food was in abundance, along with other provisions necessary for survival and comfort. When each man worked for himself, and reaped the fruits of his labors, he was encouraged to work harder and smarter to gain a greater reward for himself and his family. Without the profit motive, people became ***shiftless*** and lazy. Governor Bradford explained:

*The experience that was had in this common course and condition, tried **sundry** years and that among godly and **sober** men, may well **evince** the vanity of that conceit of Plato's and other ancients, applauded by some of later times, that the taking away of property and bringing in community into a commonwealth would make them happy and flourishing, as if they were wiser than God.*

Within 30 years after Pilgrims arrived in America, tens of thousands of other British colonists arrived. In fact, the population in Massachusetts exceeded 50,000 by 1650.

VOCABULARY

Victuals: food
Shiftless: lacking initiative and motivation
Sundry: various
Sober: serious-minded
Evince: to make clear, obvious
Oxymoron: something composed of contradictory elements or concepts

LIFE PRINCIPLE:



*"'Private property' is redundant. 'Public property' is an **oxymoron**. All legit property is private. If property isn't private it's stolen."*

-Gustave de Molinari, Political Economist

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Principles and Precepts of Economics



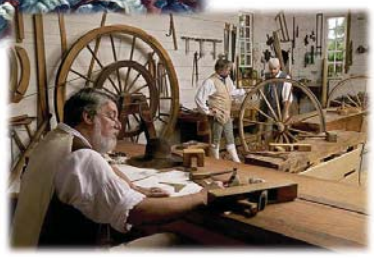
Topic 4
Economics in the American Colonies

Chapter 2

Section One
The Early Years
Seeds of Economic Liberty

Economics in the American Colonies





Driven by the same motives as the Pilgrims who preceded them, namely, to seek a place of religious liberty and to pursue economic opportunity, the new settlers tended towards one of two locations. Many followed the Pilgrims and settled in Plymouth, Massachusetts, where William Bradford was the established leader. Others followed John Winthrop, a devout Puritan, who established the Massachusetts Bay Colony in 1630.

Both Bradford and Winthrop were dedicated to governing their respective colonies based on a biblical world-view. As a result, the colonies were very dedicated to Judeo-Christian principles and these principles were ***manifested*** in their laws and culture. Puritans and Separatists desired to prevent any doctrinal ***dissension*** and ***heretical*** policies.

Ironically, in forcing out religious dissenters, Puritans and Separatists actually violated their own principles regarding freedom of religion. Fortunately, groups such as Baptists, Quakers, and Mennonites helped to move colonies toward the practice of religious liberty. However, freedoms we enjoy today as Americans came at the expense of much persecution and hardship suffered by these pioneers of freedom of conscience.

Fortunately, colonists held solidly to Judeo-Christian perspectives regarding economics, after early experiments with collectivism were abandoned. This is fortunate indeed, for all early colonists faced scarcity. As colonists learned how to utilize the abundant natural resources in America, early local economies prospered. Barter was used, along with silver and gold ***specie***, and specialization soon enabled a healthy trade system to develop among colonists. Naturally, since the main reason for establishing colonies was to provide natural resources for industry in the mother

VOCABULARY

Manifested: made apparent
Dissension: disagreement about something
Heretical: a deviation from accepted beliefs
Specie: coined money

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country, a large market in trade was quickly established with England.

While early colonies were founded as Joint Stock Companies, many broke away from the stock companies and became self-governing entities. After the founding of the first few colonies, the English King began granting proprietary charters to increase his power over distant colonies. Proprietary colonies were those with governors appointed by the ***Crown***. This new system did indeed help the Crown to increase control over colonies; however, the philosophy of self-government was as natural to colonists as breathing. A great deal of rugged individualism, self-determination, and ingenuity were required to carve out a living and start farms and businesses in the rugged American wilderness. Such a hearty people were raised with a love of liberty unlike any other people in history.



Colonial Farm

Also contributing to the individualism of American Colonists was the availability of land. With large land plots available (typically several hundred acres), people inevitably lived far apart from one another, further encouraging self-reliance and individualism. Americans developed a passion for private property rights, and opposed government intervention in commerce.

In Europe, on the other hand, farms tended to be small, typically only a few acres. Farmers generally lived in towns or villages within easy walking distance of farms. Keeping the population concentrated in towns resulted in several advantages for wealthy people who governed the villages: Laws were more easily enforced, and religious leaders were better able to maintain control over their congregations in a town environment. In many early New England communities, the European model was incorporated, but soon many people began to settle on large isolated farms, away from official state-church influence.

Thus, there was, for a time, a ***dichotomy*** of the old and new. While towns were established (helping to ensure the power of established churches and government officials for a time), the ***allocation*** of large land parcels helped to encourage individualism and desire for self-government in American Colonists. Successful businessmen in towns also embraced the spirit of individual liberty.

WATCH VIDEO: Woodworking in the 18th Century

As the colonies developed, so too did their economies. Colonial economies prospered, with supply and demand dictating which products and services would be offered. Entrepreneurs who provided the best quality goods or services, most efficiently and cost-effectively, prospered. For example, if two cabinet makers, Smith and Jones, were

VOCABULARY

Crown: ruling monarch
Dichotomy: two unrelated classifications
Allocation: set apart for specific purposes

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using trees milled into boards to manufacture cabinets, and Smith made the best quality product, he would stay in business and prosper. Jones might remain in business, but because of his inferior product, he would not produce the quantity that Smith provided. As such, most natural resources would flow through Smith's cabinet shop. This is a basic tenant of the free market: natural resources always tend towards the most efficient, productive ends. Entrepreneurs who produce inferior products or services will usually not stay in business very long, and thus resources are diverted from such businesses to the successful, skilled businesses. Natural resources are put to their best possible use



Replica colonial woodworking shop

because of free enterprise.

From this initial introduction to economics in American Colonies, you might be inclined to believe that the Crown was a disinterested, distant entity, and the American Colonists were free to pursue their economic dreams to their hearts' content. It is true that, compared to the Englishman in England, the Englishman in America was much freer to pursue his dreams. Nonetheless, mercantilism practiced by the English government negatively impacted American Colonists.

You will recall that mercantilism was a way for the British government to increase the wealth of the nation via trade and colonization. The object was enrichment of government and country, not the well-being of individual citizens. In fact, mercantilism required complete government control over the American economy, which meant control over colonial businesses. Collectivist in nature, mercantilism is philosophically similar to Marxism, though like socialism, mercantilism allowed more personal liberty than communism.

Due to mercantilism, the English Crown did indeed set about, almost from the start, to exercise control over the economy in America. As you will see in the next section, liberty-minded Americans did not tolerate the ever-increasing control practiced by King George.

LIFE PRINCIPLE:



"While the people are virtuous they cannot be subdued; but when once they lose their virtue, they will be ready to surrender their liberties to the first external or internal invader."

-Samuel Adams, Founding Father

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Principles and Precepts of Economics



Topic 5
Tyranny of the Crown

Chapter 2

Section One

The Early Years
Seeds of Economic Liberty

Tyranny of the Crown



In many ways, the English government of the 17th and 18th Centuries viewed settlers around the world, including American colonies, as children in need of firm control. The primary function of colonies was to provide natural resources for manufacturing in the parent country, and colonies were intended to serve as markets for goods produced in England.

While European wars kept the English government distracted from time to time, the Crown and ***Parliament*** attempted to restrict colonial economic liberties through a variety of laws. However, that was not easy, because of time required to reach the colonies.

The distance to England in modern times is comparatively insignificant. A person can eat breakfast in New York City, board an airplane, and enjoy supper in London, England the same day. Since the mode of ocean transportation during colonial days was sailing ships, and since the journey could take upwards of two months, the travel time between America and England was great, indeed! This meant that, initially, American colonies could develop their economy, to a large extent, without interference from the English government. With plenty of natural resources flowing into England from America, and with mercantilism seemingly intact and working well, the colonists were left largely to themselves for many decades.

Unfortunately for the English government, the American spirit of self-determination, self-reliance, and rugged individualism had taken root from the earliest of times. Colonists were largely self-sufficient, spinning their own thread from cotton or wool grown on American farms, and making their own cloth and clothes. Families built their own houses, chopped their own firewood,

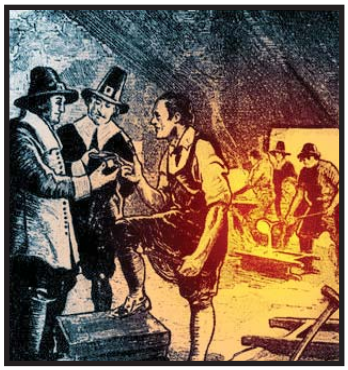
VOCABULARY

Parliament: England's legislature, composed of the House of Commons and the House of Lords

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cleared their own fields, and grew their own food. Colonists hunted wild game, and raised their own livestock.



Merchants discussing colonial products

Specialization resulted in better quality products, so colonists soon had blacksmiths, gunsmiths, silversmiths, coopers, carpenters, and many other kinds of businesses from which to purchase supplies, services, and goods. In most instances, scarcity became less of a problem, and poverty was rare. Hard work and thrift were encouraged and expected. Today, however, millions of perfectly capable citizens exist on welfare in America. In Colonial America, the biblical principle "if a man will not work, he shall not eat" kept all but truly feeble people from depending on welfare. In circumstances where widows, orphans, or physically disabled people truly needed aid, townspeople were quick to lend a neighborly hand due to their moral principles; they were never ***coerced*** by government officials to give personal resources to men who refused to work.

Despite the productive nature of colonists, the official policy of the English government was to discourage manufacturing in colonies. Under mercantilism, colonies were expected to ship raw materials to England, where they would be manufactured into goods to be shipped back to colonies for sale. For example, by 1740, the first iron mines were operational in Maryland and Pennsylvania; yet the English government forbade manufacture of iron, partly to ensure that no weapons would be made. Colonists were authorized to manufacture only ***pig iron***. Colonial smelters shipped the pig iron to England, where it was further refined into usable iron and iron products; the manufactured iron products were then shipped back to the colonies for sale. Profits went to British industrialists rather than to colonists.

VOCABULARY

Coerced: forced to do something
Pig iron: an unrefined, largely useless form of iron

Not allowing colonists to manufacture their own goods resulted in items that were far more expensive for colonists, who were forced to purchase English exports. The English government created government-induced monopolies, benefitting select businesses in England. The one exception to discouraging manufacturing in colonies was ship building, and New England became a center of a booming ship-building industry. American ingenuity produced quality ships for fishing, transportation, and fighting on the world's oceans.

As you might imagine, since colonists were already self-sufficient and had thriving businesses and inter-colony trade, they largely ignored the English government's demands to stop manufacture and trade. In fact, trade even developed between New England and the West Indies; American Colonists traded timber, ships, and rum to the West Indies in exchange for sugar and molasses. These things did not go entirely unnoticed by the Crown.

To exert more influence and control in American colonies, the Crown established the system of proprietary colonies mentioned

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in the previous lesson. The King personally appointed governors to exercise authority in these colonies. Their loyalty was to the King, and thus the ability of the English government to ***keep tabs on*** events in America greatly increased. While news traveled slowly, it did travel consistently, back to the Crown. Before long, the English government began to flex its muscles and restrict colonial free enterprise economics.

The first example of the English government attempting to control trade was with the Navigation Acts of 1651 and 1660. These acts required that only British-built or British-owned ships could be used to transport goods into and out of American colonies. Parliament even required that ships be ***predominantly*** manned by British nationals –foreigners were to be largely excluded. Also, goods from colonies could be shipped only to British ports. These acts were strengthened in 1663 by what is sometimes referred to as the Staple Act, whereby items from other European countries would have to be imported to England first, and then exported from England to American colonies. Such restrictions drove up the prices of goods in the colonies ***substantially***.

The Navigation Acts were a harsh beginning to British suppression of Colonial Economics. From 1672 to 1774, 25 additional Acts were passed to control the economy in American Colonies. Several of the more significant acts were as follows:

Act	Description	Purpose
Woolens Act of 1699	No wool or woolen goods could be exported from one colony to another colony or to a country other than England	Stop colonies from competing with English-made goods
Hat Act of 1732	Hats made in a colony could not be exported out of that colony, and hat making apprenticeships were limited	Stop colonies from competing with English-made goods
Molasses Act of 1733	High duties (taxes) were placed on molasses, sugar, & rum imported to colonies from anyplace other than English ports	Attempt to force purchase of these items from British West Indies
Iron Act of 1750	Prohibited production of iron mills in colonies to prevent production of finished iron goods	Force colonists to buy iron products from English manufacturers
Sugar Act of 1764	Lowered tariffs on molasses coming in (but with stricter enforcement); prohibited importation of rum, taxed more foreign goods coming in, such as sugar and cloth.	To raise revenue for the English government
Stamp Act of 1765	Requires every news-paper, pamphlet, or other printed documents to bear a tax stamp	To raise more money for the English government



Keep tabs on: observe carefully over time
Predominantly: mainly
Substantially: to a greater extent

To understand corruption, follow the money trail.

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As mentioned previously, self-sufficiency and hard work of colonists resulted in fewer cases of scarcity and poverty. Unfortunately, when government interferes with free markets, both scarcity and poverty inevitably increase. That is precisely what happened in American Colonies. Government restrictions on the economy prevented industrious colonists from living up to their full potential as producers of goods and services. Businesses suffered, as markets for their products were decreased by government intervention intended to promote monopolies for businesses in England. This is an example of how government intrusion into the economy discourages productivity. In addition to problems created for business owners, prices of imported goods rose dramatically, impacting all American Colonists. Many colonists resorted to smuggling goods into and out of the colonies. Colonists also boycotted many English products in protest, choosing to live without preferred items, rather than enrich the Crown. Life for many people in the colonies became very difficult.

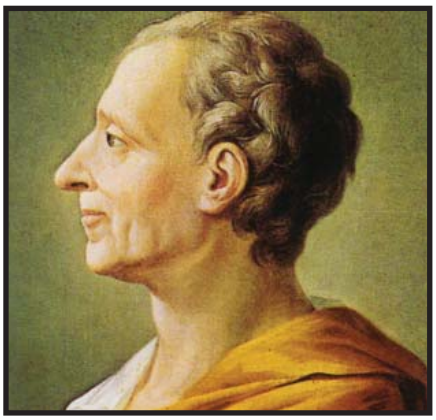


British ship attacking smugglers

In reality, mercantilism could be blamed for most of the economic woes of colonists. Not only did mercantilism cause economic hardships for American Colonists, but the very nature of mercantilism resulted in wars. Mercantilism did not permit free trade, whereby both countries would have benefitted. Rather, Parliament wanted British merchants to "get the better" of the colonists. As a result, tariffs and import/export bans provoked strife between England and her American colonies. In fact, the very nature of establishing colonies was based on the practice of enriching the parent country to strengthen it, while it competed with other nations. Ironically, these fallacies of mercantilism eventually contributed to events that lead to the American Revolutionary War, which resulted in total American economic independence from Great Britain.

Initially, new laws like the Navigation Acts were not enforced in American Colonies to any great extent. As time went by, this changed. In fact, the zeal with which the English government enforced acts to control the American economy would greatly increase after the French and Indian War, which lasted from 1754 to 1763. You will learn more about that war, and why 1763 was an important year that would move Americans closer to Independence.

LIFE PRINCIPLE:



"There is no crueler tyranny than that which is perpetuated under the shield of law and in the name of justice."

-Charles de Montesquieu, Philosopher

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Principles and Precepts of Economics

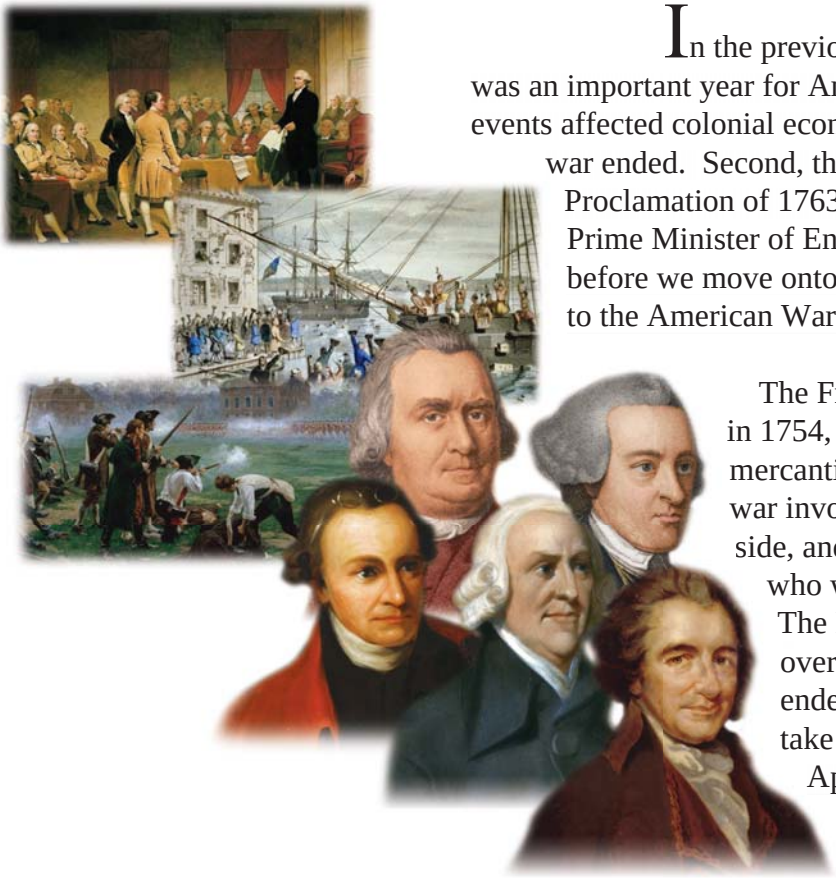


Topic 6
Liberty or Death!

Chapter 2

Section Two
From Revolution to Prosperity

Liberty or Death!



In the previous lesson, you learned that 1763 was an important year for American Colonists. Three important events affected colonial economics. First, the French and Indian war ended. Second, the English government passed the Proclamation of 1763. Finally, George Grenville became Prime Minister of England. Let's examine each of these before we move onto several other important events that led to the American War for Independence.

The French and Indian War, which erupted in 1754, was the result of British and French mercantilistic policies in North America. The war involved the French and Indians on one side, and the British and American Colonists, who were British subjects, on the other side. The British and Americans were victorious over the French and Indians. When war ended in 1763, Americans were eager to take advantage of territories west of the Appalachian Mountain range ***ceded*** by the French to the British after the war.

One of the challenges with Americans moving west across the Appalachian range was risk of hostile Indians. Defending against attacks was expensive for the English government, which was already in a great deal of debt from the recent war. The Proclamation of 1763 forbid settlement west of the Appalachian Mountain range; however, many settlers ignored the Proclamation and moved west, despite dangers.

The rebellious attitude of colonists irritated the new English Prime Minister, George Grenville. He promoted strict enforcement of British laws. Grenville decided to raise revenues from American Colonies to pay off the war debt and to pay for military protection

VOCABULARY

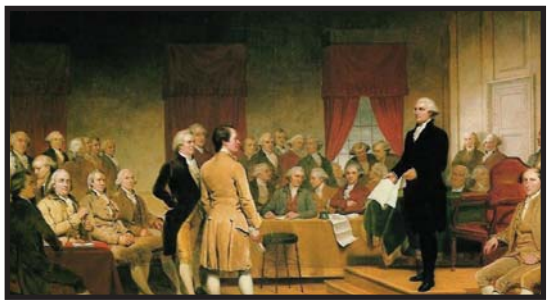
Ceded: surrendered by means of treaty

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along the western frontier. (Some revenue acts were listed on the chart in Topic 5.)

In 1761, the English government began to enforce the Navigation Acts. They sought *writs of assistance*, which were like search warrants, from courts in Massachusetts. Unlike search warrants, which specify the place and items to be searched, writs allowed searches anyplace, anytime, for anything. They were very general in nature. James Otis, an American patriot and attorney, fought the writs in court. Although he lost the case, his fame as a defender of American liberties spread throughout the colonies. He became an ardent defender of American liberties and promoted limited British authority. Writs gave the British military and governors power to abuse property rights of American Colonists.



James Otis meeting with colonists

In 1763, British naval officers were given authority to act as customs officials, with power to search ships and buildings for smuggled goods, as well as ensure all taxable goods were reported. Owners of ships and ship yards were forced to allow officers to inspect private property without ***probable cause***.

The Sugar Act of 1764 taxed goods in addition to sugar, and greatly restricted shipping rights of colonists. This act was soon followed in 1765 by the Stamp Act, which made acquiring official documents and paper items more expensive, because the act required the use of paper with a special British government stamp. Furthermore, it was the first act that directly impacted all colonists, not just business owners. As such, the act prompted all 13 colonies to unite for the first time against British oppression. Patrick Henry, of Virginia, gave a fiery speech opposing the Stamp Act in the Virginia House of Burgesses, the governing body of Colonial Virginia.

So united were the colonists against the Stamp Act, that for the first time, delegates of the colonies met together on a formal basis. The Stamp Act Congress drew delegates from 6 colonies, and representatives from 3 others, meeting in New York to oppose the act. Though they affirmed their allegiance to the King and their willingness to submit themselves to Parliament, colonists expressed their belief that the authority of the British government was limited in scope. They declared, in part:

> *That it is inseparably essential to the freedom of a people, and the undoubted right of Englishmen, that no taxes be imposed on them but with their own consent, given personally or by their representatives…*
>
> *That the only representatives of the people of these colonies are persons chosen therein by themselves, and that no taxes ever have been or can be constitutionally imposed on them, but by their respective legislatures.*

VOCABULARY

Probable Cause: reasonable grounds for questioning, searching property, or charging one with a crime

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Colonial Emblem

In addition to their appeal to the British government, colonies took measures to ensure the Stamp Act and other unjust laws would not be enforced. Men from their respective colonies formed Committees of Correspondence to coordinate action against British tyranny. Some committies were formed by colonial legislatures, while others were formed by private groups known as Sons of Liberty. The Sons of Liberty encouraged stamp agents to resign, sometimes by threat of force. Without stamp agents, no stamps would be available in the colonies.

In late 1765, Parliament backed down, and repealed the Stamp Act. Yet, on the day Parliament repealed the Stamp Act, the Declaratory Act was passed, which affirmed the right of the King and Parliament to pass laws binding on the colonies. Despite passage of the Declaratory Act, much colonial resistance calmed down after repeal of the Stamp Act, at least for a time.

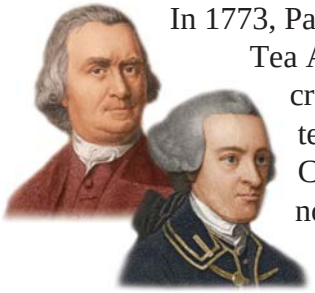
Another ***reprehensible*** affront to rights of American Colonists was the Quartering Act, passed in 1765. It allowed British troops to be housed in places of business such as inns, ale houses, and livery stables. Soldiers were also authorized to use unoccupied dwellings and colonial government buildings. In addition, property owners had to supply goods to soldiers without reimbursement.

VOCABULARY

Reprehensible: very bad, worthy of severe rebuke
Boycotting: to refuse to buy something in protest

In 1767, a series of acts called the Townshend Acts were passed, levying taxes on items imported into colonies. Some items taxed included lead, glass, paper, and tea. John Dickinson of Delaware began publishing editorials against the Townshend Acts in the *Pennsylvania Chronicle* and *Universal Advertiser*. The editorials were published as a pamphlet in 1768 and reprinted 7 times in the American Colonies. Dickinson's pamphlet condemned taxation without representation in American Colonies, much as the Stamp Act Congress had done. Most other colonial newspapers also published editorials against British tyranny.

The city of Boston encouraged colonies to begin a policy of non-importation, essentially ***boycotting*** all British goods coming into the colonies. Despite the inconveniences to merchants and businessmen, colonists united behind non-importation. Imports were cut nearly in half. In response, Parliament eased up on enforcement of the Quartering Act and repealed the Townshend duties in 1770. The one exception to the repeal was the tax on tea.


Samuel Adams and John Hancock

In 1773, Parliament passed the Tea Act. In essence, this created a monopoly on tea for the East India Company, ensuring no other tea could be sold in American Colonies. The Sons of Liberty prevented the landing of tea at various colonial ports. In addition, patriots in Massachusetts boarded a British cargo ship loaded with tea, and threw

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the tea into Boston Harbor. The Boston Tea Party, as it became known, was organized by Samuel Adams and John Hancock. So successful was the campaign against tea in American Colonies, that coffee soon replaced tea as colonists' favorite hot drink.



Boston Tea Party

The British response to American rebellion was not to repeal laws. In fact, between March and June 1774, Parliament passed 4 additional laws known as the *Coercive Acts*. These acts included:

1. Boston Port Act – port of Boston closed until the East India Company was reimbursed for tea lost in the Boston Tea Party
2. The Massachusetts Act – essentially eliminated self-government from the colony
3. Administration of Justice Act – colonial leaders accused of crimes would be tried in England instead of in America
4. Quartering Act – like the act of 1765, except British troops could also be quartered in *occupied* dwellings (people's homes).

The Colonists nicknamed these acts the "Intolerable Acts". Each one clearly violated the rights of American Colonists. Yet, King George III declared, "The die is now cast, the colonies must either submit or triumph…"

In 1774, the First Continental Congress met on September 5th with delegates from each of the 13 colonies, except Georgia, to decide on a course of action. The Congress issued statements to the people of the colonies, the Canadians, the British people, and the King. In the ensuing Declaration of Rights, colonists insisted that the British government:

1. Repeal 11 of the Acts that had been passed;
2. Recognize the right of colonists to tax themselves;
3. Recognize the right of colonists to assemble peaceably to petition the Crown and Parliament
4. Recognize colonists' rights as Englishmen, based on granted charters.

Regarding the Boston Port Act, the colonies agreed to support Massachusetts if King George used force to carry out the Act. In essence, colonists were making it clear to the King that the colonies intended to resist, by force if necessary, any further encroachment upon their liberty. The delegates agreed to meet again in May to discuss the King's reaction to their petition.



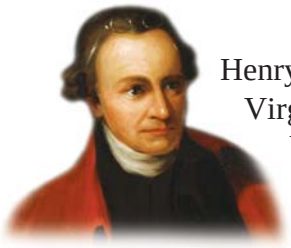
Patriots battle British at Lexington

Before Congress could meet, hostilities broke out. Colonists had been gathering weapons (arms), in the event that the British army, now stationed throughout Massachusetts, should use force against colonists. On April 19, 1775, the British army was dispatched to capture arms ***caches***

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in Lexington and Concord. While the British approached armed colonists at Lexington, a shot rang out and fighting commenced. Ralph Waldo Emmerson immortalized the first defensive volley of the yet undeclared war in his *Concord Hymn* as "The shot heard 'round the world." In a sense, that shot put America on a path to economic superiority. From that time forward, militia throughout the colonies gathered to prepare for war.


Patrick Henry

In May, Patrick Henry gave a speech in Virginia encouraging the Virginia government to raise up militia units in preparation for hostilities. It was during this famous speech that Henry declared:

> *Is life so dear, or peace so sweet, as to be purchased at the price of chains and slavery? Forbid it, Almighty God! I know not what course others may take; but as for me, give me liberty or give me death!*

When the Second Continental Congress met on May 10, 1775, King George replied to the colonists' petition with a greater show of military force. Even though the colonies had pledged their allegiance to King and country, they were determined to meet force with force.

The year 1776 was significant for many reasons. First, in July, the delegates, finally were convinced that the rift between the colonies and England was too great to be healed, and declared independence from Great Britain. The Declaration of Independence, penned by Thomas Jefferson, whereby colonists declared their reasons for parting with England, has been considered one of the greatest documents ever written. It served as a mission statement for the new Nation.

> *When in the Course of human events, it becomes necessary for one people to dissolve the political bands which have connected them with another, and to assume among the powers of the earth, the separate and equal station to which the Laws of Nature and of Nature's God entitle them, a decent respect to the opinions of mankind requires that they should declare the causes which impel them to the separation.*

> *We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness.--That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed, --That whenever any Form of Government becomes destructive of these ends, it is the Right of the People to alter or to abolish it, and to institute new Government, laying its foundation on such principles and organizing its powers in such form, as to them shall seem most likely to effect their Safety and Happiness*

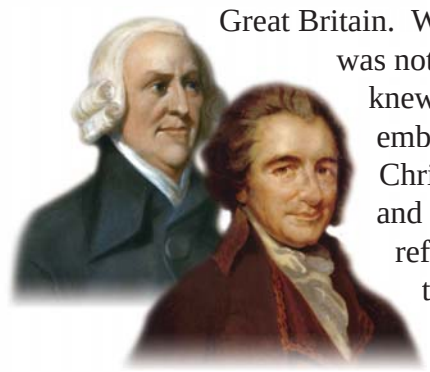
Also in 1776, Adam Smith wrote *The Wealth of Nations*. In it, he condemned mercantilism, and made a brilliant defense for free markets. It was widely read and well-received in the colonies. In addition, Thomas Paine wrote the pamphlet *Common Sense*, in which he presented logical reasons why Americans should be independent from

VOCABULARY

Caches: hiding places for concealing and preserving weapons or other provisions

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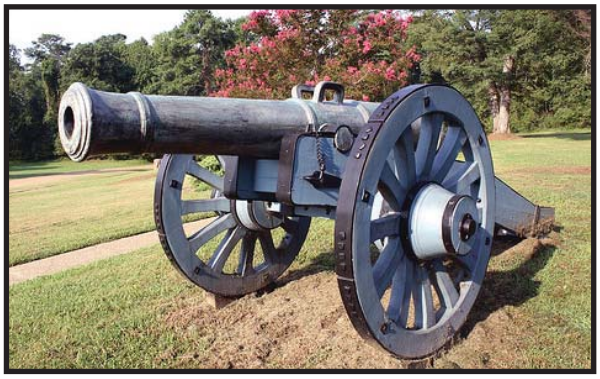
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Adam Smith and Thomas Paine

Great Britain. While Paine was not religious, he knew his audience embraced Christianity, and he made references to the Bible so readers could relate to his arguments. The pamphlet was an immediate success, and sold half a million copies, worldwide, the first year.

Thanks in large part to the Declaration of Independence, *The Wealth of Nations*, and *Common Sense*, Americans had been reminded of common economic and religious principles upon which they could unite. It must be noted, however, that colonists had been instructed on those principles in churches throughout the colonies. Known as the "Black Robe Regiment," colonial preachers spoke out against tyranny in government for many decades prior to 1776. Many historians believe those sermons helped to lay the foundation for American independence.



In the next topic, you will revisit the story of the Revolutionary War, a story of how independent-minded citizen-soldiers defeated the greatest empire in the world.

LIFE PRINCIPLE:



"The battle, sir, is not to the strong alone; it is to the vigilant, the active, the brave."

-Patrick Henry, Founding Father

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Principles and Precepts of Economics



Topic 7
War!

Chapter 2



Section Two
From Revolution to Prosperity







The War for Independence is often called the Revolutionary War. Normally, a revolution results in overthrow of a government. But, the colonists wanted freedom and independence rather than overthrow of the British government. Colonists fought the greatest empire in the world at that time to assure liberty, legal representation, and the absence of tyranny. Every American should learn about the war and its key players to grasp the wonder of America. While our scope of study must be confined to economic aspects of the war, you should seek opportunities to explore other dimensions of the Revolutionary War. Liberties we have enjoyed for more than 200 years are the result of the great sacrifices, noble leadership, and sound philosophy of those brave men known as Founding Fathers.

Several problems ***plagued*** the American army during the Revolutionary War, and many problems had to do with a lack of money, a scarcity issue. Wars are expensive. The Continental government had to recruit, train, and equip troops to fight. Soldiers had to be paid. The army needed a constant flow of supplies to keep soldiers in the field. All of these military issues proved troublesome for America during the War for Independence from England.

VOCABULARY

Plagued: hampered, restricted

From the beginning of the war, Americans tried to enlist aid from European Nations that were hostile to England. American diplomats Benjamin Franklin (assigned to France) and John Jay (dispatched to Spain) attempted to establish treaties and gain economic and military support. European countries were hesitant to enter into treaties with the American colonies, but after colonists

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declared independence in 1776, both France and Spain were willing to assist with financial loans and military provisions.

The British were ***incensed***, and established naval ***blockades*** that greatly limited flow of supplies from other countries. The American Navy was vastly outnumbered and outgunned. While the American Navy had some remarkable victories, most colonial merchant ships were defenseless against the powerful British Navy. French and Spanish Navies finally succeeded in opposing British naval efforts in America, greatly benefiting the American navy, and thus, the army.



Sea battle between US and British ships

A ***dearth*** of military supplies also resulted from lack of government funds. Even American businessmen and farmers were sometimes hesitant to supply the Continental Army, knowing they might not be paid in a timely manner, if at all. Under the Articles of Confederation (the United States' first governing document), approved in 1777, Congress lacked authority to force states to contribute to war expenses, and each state contributed as it saw fit. Fearful of too powerful a government, Congress placed many limitations on the power of government under the Articles. For example, while government could wage war, make treaties, borrow money, and do some other less significant things, it did not have authority to raise taxes, regulate trade, or force states to honor war commitments. An executive branch did not exist to manage economic affairs. In essence, government was powerless at times to deal with problems faced by the Continental army.

Getting soldiers to enlist, and remain in the army, was a major problem. Many soldiers enlisted for short periods of time. Most expected to fight in winter, and then return home in summer to plant and harvest crops. That was particularly true with state militias, which constituted approximately one third of America's fighting force at any given time. The other troops were regular enlisted men. Taking into account the militia and regular army, George Washington, America's military commander-in-chief, had as little as a few thousand men, and not more than 20,000 men, at any given time. British forces were superior in number, and they were assisted by ***Hessian mercenaries***. In most instances, British and Hessian troops were far better trained and equipped than American troops.

VOCABULARY

Incensed: furious
Blockades: barriers
Dearth: a severe shortage of something
Hessian: German
Mercenaries: soldiers who fight only for money

WATCH VIDEO:
Valley Forge

Washington proved a brilliant leader, however, and did remarkably under challenging circumstances. Despite great odds against him and his army, he proved

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more than a match for British commanders. Nonetheless, his soldiers often suffered great ***deprivations*** of food and clothing. Some men marched through snow with little more than rags wrapped around their feet, leaving bloody trails as they marched. Washington's men were forced to ***forage*** the countryside, trying to find food in the dead of winter. During the winter of 1777-1778 at Valley Forge, Pennsylvania, nearly a quarter of Washington's 10,000 men died due to harsh weather conditions and illness. Fortunately, that Spring, the French government agreed to send troops and more supplies to assist Washington. The Marquis de Lafayette, a wealthy French nobleman, only 19 years of age, donated a great deal of his personal fortune to equip Washington's army. His zeal and capabilities landed him the rank of major general, and he served alongside Washington, distinguishing himself throughout the war.



Continental paper money

To deal with so many financial crises, Congress printed paper money. Unfortunately, it was fiat money, not backed by anything of value. As needs became pressing, more and more Continental dollars were printed, until $200,000,000 were in circulation. In time, the Continental dollar had so little worth that something of very little value was deemed "not worth a Continental." General Washington commented that a wagonload of currency was needed to buy a wagonload of supplies. Samuel Adams paid $2,000 in Continentals for a hat and suit of clothes. Fortunately, American leaders learned from their mistakes, and incorporated more sound fiscal policies by the early 1780s.

VOCABULARY

Deprivations: being without food or clothing
Forage: search for food

During these difficult economic and military times, many Americans rose up to help Washington and the American army. For example, Robert Morris, of Pennsylvania, was appointed Superintendent of Finance in 1781. He began to place the Nation's finances on solid ground, going so far as to donate his own funds to keep the army supplied and prevent the country from going bankrupt. He reduced operational expenses and inefficiency in the army. He was one of the leaders who criticized the Articles of Confederation for being too weak, and was supportive of the Constitution which eventually replaced the Articles. Benjamin Rush, one of the signers of the Declaration of Independence, and one of the Sons of Liberty, was a medical doctor who not only served in the Second Continental Congress, he also assisted troops in the field. In addition, Rush spent a great deal of time raising funds to supply troops with provisions. Many others made economic sacrifices to advance the American cause of liberty.

After Washington's victory at the Battle of Yorktown, Virginia, on October 19, 1781, fighting largely ended. Limited fighting in the south and on the western frontier continued until the Treaty of Paris was signed, in September 1783. The war had been costly, both in terms of lives lost and money spent. Approximately 40,000 American lives were lost, and about the same number of British lives. The United States spent $150,000,000 on the war, and the entire country was burdened by debt. War debt was detrimental to the federal government, state

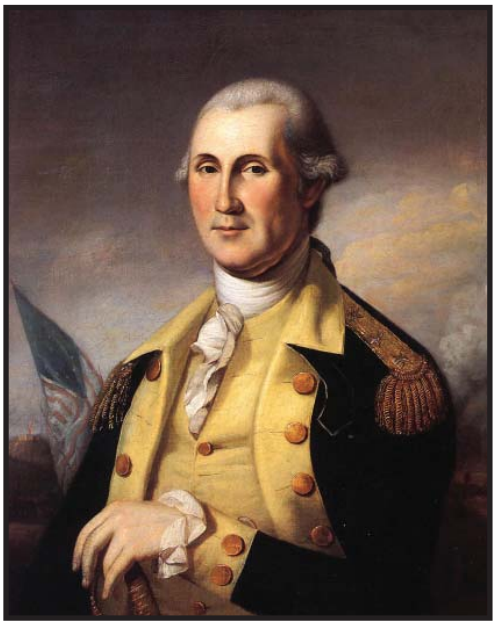
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governments, and to private businesses. The debt would not be sufficiently addressed until the United States had a new Constitution a few years later.

Ineffectiveness of the Articles of Confederation to deal with national debt and other issues led colonists to design a new Constitution more suitable to governing the new nation, which enabled entrepreneurs to apply capitalism to pay off the war debt, and eventually establish the world's most efficient economic system. You will learn about that in the next topic, and have a better understanding of why the Constitution was so essential to establishing free enterprise in America.

LIFE PRINCIPLE:



"Associate with men of good quality if you esteem your own reputation; for it is better to be alone than in bad company."

-George Washington, Founding Father and First U.S. President

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Principles and Precepts of Economics

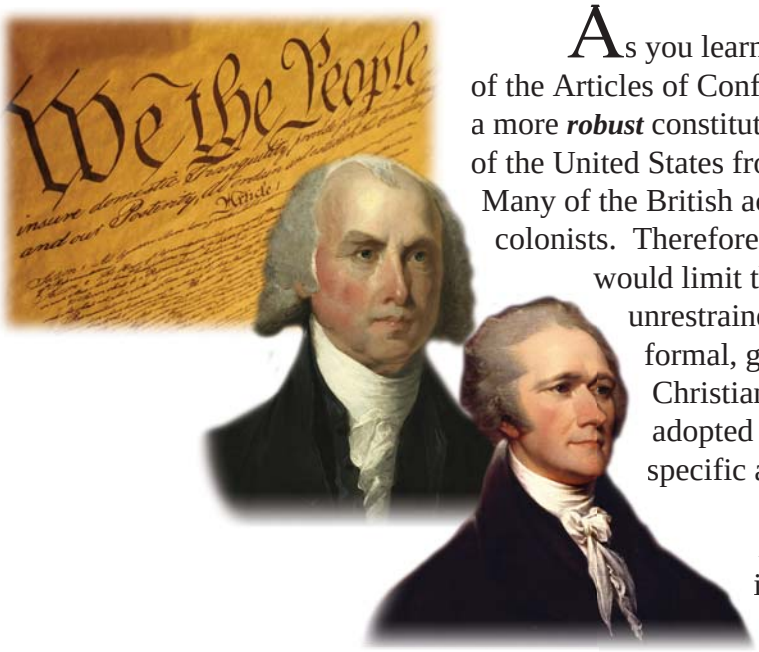


Topic 8
The Constitution and Bill of Rights

Chapter 2

Section Two
From Revolution to Prosperity

The Constitution and Bill of Rights



As you learned in the previous lesson, the weaknesses of the Articles of Confederation led to the desire by colonists for a more ***robust*** constitution that would prevent the government of the United States from placing burdensome taxes on citizens. Many of the British acts had placed severe economic burdens on colonists. Therefore, colonists insisted on a new constitution that would limit the ability of a central government to exercise unrestrained control over free enterprise. Desire for a formal, governing document, was rooted in colonists' Christian and English heritage. Puritans had long adopted church ***covenants*** that bound parties to specific agreements.

As Englishmen, the colonists' heritage included written agreements such as the Magna Carta (1215), Petition of Right (1628), and English Bill of Rights (1689). From the Mayflower Compact onward, each American Colony entered into contractual agreements with one another. They subscribed to the concept of absolute truth, and as such, believed that responsibilities and boundaries of authority should be plainly spelled out in writing.

During the early months of the Revolutionary War, the Second Continental Congress assumed a leadership role as the unofficial government of the 13 Colonies. Because the Crown had issued colonial charters, and the relationship between the Crown and colonies had been ***severed*** as a result of the Declaration of Independence, Congress encouraged states to write their own constitutions. With exception of Rhode Island and Connecticut, whose charters sufficed as written, colonies did write their own constitutions, and thirteen colonies became 13 states.

To the 18th Century mindset, "state" referred to an independent nation, rather than a state as we understand the term

VOCABULARY

Robust: strong, effective
Covenants: formal, binding agreements
Severed: cut off

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today in reference to the United States of America. People of the original states considered themselves ***autonomous*** entities, uniting only for a common cause. Under the Articles of Confederation, states did not intend to give up any of their ***sovereignty*** to a strong federal government that might abuse its power.

In keeping with the practice of the era, state governments consisted of two-house legislatures, a governor, and various judges and officers. Religious tests and property tests were required for voting in almost all states. In order to vote, a colonist had to subscribe to Protestant religious beliefs and be a property owner. States did not want people having access to the ballot box if they held unorthodox religious views, or did not own property. Property ownership ensured that only people well-invested in the community had a say in government; this kept drifters and others not genuinely concerned with local and state affairs from determining outcomes in elections.

Each state would eventually send delegates to Philadelphia for a convention in May 1787. Initially, the purpose of the convention was to revise the Articles of Confederation. Those who attended the convention were some of the greatest men of their era. George Washington was elected unanimously to preside over the convention. James Madison, often referred to as the "Father of the Constitution," was a



James Madison

young man whose brilliant scholarship and reasoning shaped much of the Constitution. Gouverneur Morris, delegate from Pennsylvania, was a gifted orator, who greatly assisted. Other notables included Benjamin Franklin, James Wilson, Roger Sherman, Alexander Hamilton, and George Mason.

The delegates soon determined that what was needed was not a revision of the Articles, but rather a whole new constitution with separate powers and limitations. It is beyond the scope of this lesson to describe the convention in detail, but the magnitude of what was accomplished, given the circumstances, should not be underestimated. The title of a book describing the convention, written by Catherine Drinker Bowen, sums it up nicely: *Miracle at Philadelphia*.

When the convention adjourned on September 17, 1787, it had a Constitution ready for ratification by states. By June 21, 1788, nine states had ***ratified*** the new Constitution, the minimum states necessary for adoption of the document. Two key states, New York and Virginia, had not yet ratified it. To garner support for ratification in these states, James Madison, Alexander Hamilton, and John Jay wrote a series of articles encouraging adoption of the new Constitution. These essays were collected and published as the *Federalist.* The essays explained principles in the Constitution, and encouraged its ratification. Delegates in favor of the Constitution became known as *Federalists*, and those opposed were called *Anti-Federalists*.

VOCABULARY

Autonomous: self-directed, not controlled by others
Sovereignty: independence, self-government
Ratified: given formal, legal approval

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Anti-Federalists opposed the new Constitution because it lacked a bill of rights. Federalists opposed a bill of rights, concerned that by listing *some* rights, any rights not included might be ignored by government. Since Founders believed that all rights came from God, rather than from men or governments, Federalists did not want to be responsible for excluding any rights. Federalists gave in, however, and after being promised a bill of rights, the remaining states ratified the constitution.



Fortunately, during the Founding Fathers' era, colonists held a clear consensus that rights do not come from government. Since governments cannot grant rights, neither can governments take them away. Over time, however, the shift away from Judeo-Christian principles in America has led to the detriment of individual liberties and economic stability. We will examine that problem in more detail later and the effects of the new Constitution and Bill of Rights on the new Nation's economics.

As covered in a previous lesson, the government was based on the principle of federalism, with powers split between the federal and state governments. In addition, you will recall a balance of powers existed at the federal level, with powers separated into three branches: executive (President), legislative (Congress: House of Representatives and Senate), and judicial (Supreme Court). States sent representatives to govern on their behalf; as such, the new government was a *republic*, rather than a democracy.

VOCABULARY

Ordained: determined by authoratative decree

Another important concept was limitation of government power. While the Founders believed that governments were ***ordained*** of God, they also believed that the only proper function of government was to protect rights of its citizens. The Bill of Rights clarifies this in the first 10 Amendments, all of which spell out individual rights (except the 10th, which spells out states' rights):

1st Amendment: freedom of religion, freedom of the press, freedom of speech and assembly
2nd Amendment: right to keep and bear arms (for personal and collective defense)
3rd Amendment: protection of private property rights (government cannot quarter troops on private property)
4th Amendment: protection of private property from unlawful search and seizure (court-obtained warrants via due process are required)
5th Amendment: protections for those accused of crimes
6th Amendment: rights of those accused of crimes
7th Amendment: right to trial by jury
8th Amendment: protection from excessive bail requirements
9th Amendment: clarifications on judicial powers
10th Amendment: protections for states

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The Constitution and Bill of Rights ensured personal liberty and private property rights. The new governing document was the culmination of Judeo-Christian values, English Common Law, and practices in American Colonies from earliest times. These well-defined liberties went hand-in-hand with the widely accepted economic philosophy of free enterprise that Americans embraced, and that was so ***succinctly*** explained in *The Wealth of Nations*, by Adam Smith. Smith had described the "invisible hand" of free enterprise ensuring the best possible use of resources that enabled the American economy to prosper unlike any economy in history. Within 50 years, the United States surpassed Great Britain as the industrial giant of the world.

Under guidance of very capable men, the new United States government began to establish sound monetary policies. Alexander Hamilton became the Nation's first Secretary of the Treasury, and made several recommendations to Congress:

1. Pay all foreign debt, including interest owed
2. Pay all debt owed to private citizens by the government
3. Assume war debts of all states

Hamilton also proposed several revenue-generating taxes to accomplish these goals, including tariffs on a variety of imports and on domestic manufacture of liquor. Additionally, he helped to establish the first national bank, the Bank of the United States, which greatly benefited America's credit-standing among other nations. In 1792, the United States Mint was established to mint copper, silver, and gold coins. So quickly did these measures enhance the credibility and capability of the United States, that famed orator, Daniel Webster, said of Hamilton:


Alexander Hamilton

He smote the rock of our national resources, and abundant streams of revenue poured forth; he touched the dead corpse of public credit, and it sprang upon its feet.

WATCH VIDEO: American Exceptionalism

America, by virtue of its sound moral, political, and economic principles, soon became the envy of the world, a land of amazing opportunity. *American Exceptionalism* was born. We will examine the prosperity of America in the next lesson.

VOCABULARY

Succinctly: precisely and compactly
American Exceptionalism: belief that America is different from all other nations

LIFE PRINCIPLE:

"Posterity! You will never know how much it cost the present generation to preserve your freedom! I hope you will make a good use of it"

-John Adams,
Faounding Father and
2nd U.S. President



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Principles and Precepts of Economics



Topic 9
Land of Opportunity

Chapter 2

Section Two
From Revolution to Prosperity

Land of Opportunity





As a free republic with a Constitution that protected the God-given rights of man, America had the foundation necessary for economic growth and prosperity. Unhindered by mercantilistic laws, the American economy thrived. The Constitution limited the amount and types of taxes that could be ***levied***, ensuring that people had more of their hard-earned money for personal purchases and investments. Free people are limited only by their own ***ambition***, integrity, and ability; American entrepreneurs and workers demonstrated that they possessed all three qualities.

Private businesses in America, free to invent and create new products, ***spearheaded*** economic growth. New inventions in agriculture and transportation enabled more people to migrate west and set up farms, and then towns. Towns grew into cities. More factories sprang up from New England to frontier towns and cities, creating jobs and more affordable products benefiting every American. ***Turnpikes*** were built by private businesses which charged tolls to earn a return on investments. In some states, people raised tax revenues to finance building of roads, greatly benefiting businesses.

In addition to new roads, canals were dug to aid in transportation of goods and people. While early canals had been built in Pennsylvania and Virginia prior to the 19th Century, in 1825 the Erie Canal was the first successful large-scale canal built. It connected the Great Lakes to the Hudson River, greatly expanding transportation routes by water. Cargo could go from the Atlantic Ocean, through New York Harbor, up the Hudson River, and on to the Great Lakes region without having to touch land.

VOCABULARY

Levied: imposed, collected
Ambition: strong desire to succeed
Spearheaded: took the lead
Turnpikes: paved toll roads, expressways

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The telegraph was invented by Samuel Morse in the 1830s, enabling people to communicate long distances via electronic signals called Morse Code. The code was a series of dots (short signals) and dashes (slightly longer signals), a ***rudimentary*** form of the "1's" and "0's" concept used by computer programs today. One of the best known Morse Code messages is "SOS," which indicates a distress call. It is created with the following series of dots and dashes, with three dots representing "S" and three dashes representing "O:"

• • • – – – • • •

Telegraph cables soon joined east and west, north and south, greatly improving speed in communication and industry.



Telegraph operator

In the late 1860s, railroads began crossing the Nation, further enabling economic opportunity and growth. The first transcontinental railroad was completed in 1869 at Promontory, Utah. While the Nation grew in size physically, it was becoming smaller in size technologically; people far apart could connect faster than ever thought possible. Entrepreneurism expanded.



Steam locomotive

The vast natural resources on the North American continent were transformed by the manufacturing industry into useful products that benefitted people around the world. Natural resources, combined with the productivity of the American entrepreneur and worker, resulted in wealth creation unlike anything the world had ever seen. The Industrial Revolution (discussed in chapter 1) improved the standard of living for every American; even the poorest American factory worker benefited greatly.

By today's standards, the factory worker's lifestyle before 1900 might not be ***enviable***, but that would be a faulty comparison. Instead, consider that even the poorest American factory worker was better off economically than poor people had ever been anyplace else in the history of the world. In fact, compared to the ***destitute*** in other countries around the world and throughout history, 19th Century American factory workers would have been considered wealthy. That is because even the poorest workers had adequate food, clothing, and shelter. These necessities of life were available to anyone who would work, and that level of prosperity alone set America apart from all other nations in history. More importantly, even the poorest worker had opportunities to improve his or her economic status.

VOCABULARY

Rudimentary: basic, simple
Enviable: worthy of strong desire
Destitute: extremely poor

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The poorest factory worker could rise through the ranks and become a factory manager. If a person made wise use of his time, talents, and money, he could one day own his own factory or business. In time, a business owner could become very wealthy. The social class structure in America did not limit a person's ability to improve his station in life. Thanks to freedom enjoyed by Americans, the sky was the limit. Because people were free to enjoy the fruits of their own labor apart from excessive government taxation and burdensome regulations, people had a clear incentive to work harder and smarter. Working harder and smarter benefited the entrepreneurs as well as the workers. People who refused to work suffered in poverty.



European immigrants arrive in USA

Economic growth in the United States led to increased international trade, which led to an even greater variety of goods available for the marketplace. More jobs were created and more businesses started. Prices rose or dropped based on the economic principle of supply and demand, without mercantilistic policies of government hampering the "invisible hand" of the free market. Investment opportunities abounded, as a result of the growth of small businesses, factories, mines, railroads, and farms.

Immigrants from around the world, fleeing political and religious oppression and poverty in their homelands, came to America by the thousands. Such people dreamed of one day becoming American citizens. When those fortunate enough to make the trans-Atlantic journey finally arrived, they did their best to assimilate into American culture. While they proudly maintained many traditions and customs from the "old country," each new citizen sought to become an American. People took pride in being an American, and they knew firsthand that American Exceptionalism was a real, concrete concept people could experience.

America had truly become the greatest nation on earth. In the next lesson, you will learn how collectivist philosophies began to creep into American society, sabotaging the great American economic system that had blessed so many people.

LIFE PRINCIPLE:



"Underlying most arguments against the free market is a lack of belief in freedom itself."

-Milton Friedman, Economist

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Principles and Precepts of Economics

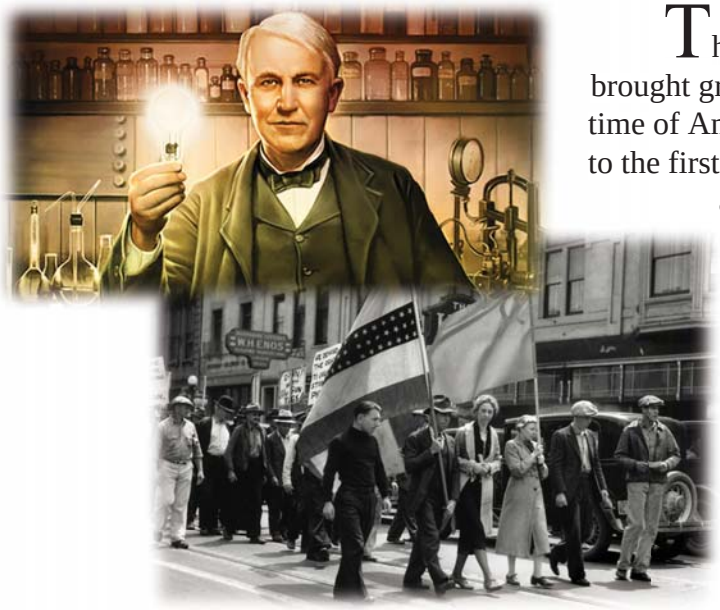


Topic 10
Prosperity vs New Ideologies

Chapter 2

Section Two
From Revolution to Prosperity

Prosperity vs New Ideologies



The free market economy in the United States brought great improvements to mankind. From the time of America's establishment as a nation in 1776 to the first quarter of the 20th Century, a time-span of around 150 years, technology advanced at a rate ***unprecedented*** in human history. Free market philosophy enabled people to develop and create advancements in every area of life. For example, in 1776, the only way to communicate was in person or by letter. By 1926, Americans had invented not only the telegraph, but also the telephone, and radio. In 1776, transportation was limited to walking, horseback-riding, horse-drawn vehicles, and man-powered watercraft. By 1926, Americans had not only invented trains, but motor-driven watercraft, automobiles, and airplanes as well. Space travel was only four decades away!

By contrast, when America was settled by the English in the early 17th Century, settlers possessed little in terms of technology that had not already been in common usage 2,000 years earlier. Tools, ships, and other common items had seen little technological improvement in 2000 years. Firearms were an exception, but they had changed little from their introduction several centuries before.

From the founding of Jamestown in 1607 to the Declaration of Independence in 1776, technological advancement increased dramatically in the American Colonies. For example, many people are familiar with Benjamin Franklin's inventions, such as the lightening rod, bifocal glasses, and an efficient wood burning stove. Yet, not until America became an independent, autonomous nation with great freedom, did the explosion in creativity and economic prosperity really begin. The Industrial Revolution brought improvements in life for people at all economic levels of society.

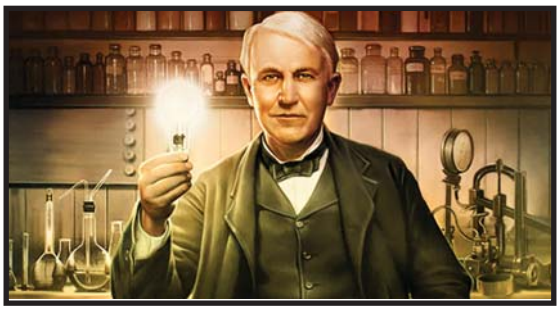
VOCABULARY

Unprecedented: never before seen or done

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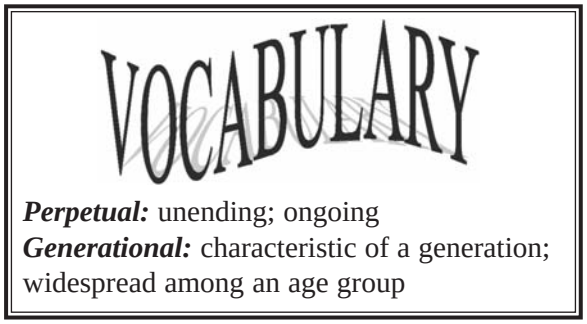
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However, by the mid 1800s, collectivists who embraced Darwinian evolution began to oppose concepts of free markets, private property, and individualism.



American inventor and entrepreneur, Thomas Edison

In any free society, some people succeed, while some do not. People most likely to succeed in life tend to have ambition to work hard, learn from their mistakes, seek education (formal or informal), and utilize their intelligence to the best of their ability. Successful people seek opportunities to expand skills and knowledge. If they fail, they try again, or try something else. Unsuccessful people tend to give up easily, make excuses, shun hard work, and blame others for their failures. Individuals who accept absolute truth recognize that good actions lead to good outcomes; bad actions lead to bad outcomes. This concept is often referred to as the "law of sowing and reaping." In other words, you reap (harvest) what you sow (plant). If farmers plant pumpkin seeds, they will not reap cucumbers. Likewise, people who lack ambition and integrity will not remain employed or enjoy any degree of economic success.



Collectivists believe that everyone should reap the same thing, regardless of what they sow. In order for that to happen, those who do the sowing have to be deprived of the fruits of their labor. Collectivists believe that people who work hard must be compelled by force to share the fruits of their efforts. As you have learned, Marxism is the philosophy used to justify such thievery. Communists use government and brute force to take what others have earned, while socialists try to convince people to vote away their liberty in exchange for promises of "free" things paid for by others.

Marxists reject absolute truth in favor of relative truth. In their minds, people are free to make up their own "reality". For example, if a Marxist sees children who are poorly clothed and malnourished, he might decide to provide food and clothing. While this sounds noble, it does not solve the problem. After all, if in some instances the children's parents are unwilling to work, then poverty which the children are suffering is caused by the parents. Parents, not society, are responsible for their children. Yet, the Marxist does not care; he only wants the children to be fed and clothed. The only way to do that is to confiscate money from people who have it – the producers in society. Thus, producers end up paying for the misdeeds of parents who are unwilling to work. This creates a ***perpetual*** problem; if no consequences follow bad actions, then parents who are unwilling to work will not change. Children will continue to need "free" stuff from the government. This type of behavior leads to ***generational*** dependence upon government handouts, while stifling initiative, hope, and greater economic freedom.

In order for Marxist dogma to spread in the mid-19th Century, its proponents had to do two things: first, make free markets look bad so people would give up liberty

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voluntarily, and second, take over key institutions in the United States so Marxists could influence public policy and eventually implement collectivism. To accomplish their first goal, Marxists looked for examples where entrepreneurs had abused the free market.



American Communist March

In any free society, some people will use their liberty to make a profit through immoral actions. For example, a factory owner who knows how to keep his workers safe, but won't pay to enhance the safety of the machinery, will cause unnecessary injury and possibly death to some workers. Such a businessman is the exception, not the rule, in a capitalist economy. Unfortunately, Marxists know how to take the exception and make people believe it is the rule. Through misinformation and other propaganda, Marxists try to steer public opinion away from supporting free markets by using bad business owners as examples of what all capitalists allegedly are like. While condemning the alleged greed of "capitalists," Marxists promote greed themselves, by convincing poor people that they deserve to have a "share" of what other people have earned. This clever bit of hypocrisy has been used successfully time and time again by Marxists. They encourage envy. This breeds class warfare, which eventually leads to riots and chaos. Marxists bring chaos to society by inspiring violent rivalries, thus making their *solutions* more ***palatable***. People are more likely to give up liberty voluntarily if society is in disarray.

VOCABULARY

Palatable: easier to swallow
Paradigm: new system
Ostensibly: supposedly

American society slowly embraced collectivism, as Marxists gained influence at colleges and universities. Collectivist professors of the 1920s and 1930s condemned capitalism and absolute truth, while promoting collectivism and relative truth. By mid 20th Century, Marxist dogma was well-entrenched in America's colleges and universities. This meant that successive generations of educators, lawyers, judges, news reporters, and politicians would be educated by professors and teachers pushing pro-Marxist propaganda. Naturally, many Americans rejected the new collectivist dogma at first; but over time, more and more people embraced it for lack of knowledge about capitalism, and in order to receive government-collected tax money.

The evolution model of science greatly assisted in this ***paradigm*** shift in cultural values. As the evolution model of origins replaced the creation model in science and in education, potential voters accepted criticism of America's Founding Fathers and their principles. Gradually, the general population became indifferent toward capitalism, right of private property, moral absolutes, and personal responsibility to earn wages. People embraced collectivism, as they rejected the concept that individual rights derive from God. As students and voters were taught that rights come from government, voters accepted political changes necessary to implement collectivist policies; thus, people willingly surrendered liberties, ***ostensibly*** for the "common good."

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One way collectivists attempt to manipulate the culture is through the Circular Flow Model, a way to "follow the money" in an economy. Players include businesses, households, and government. Each of the players spends money, and each takes money. For example, a business spends money on supplies, so money leaves the business. As the business sells its products, money is received. Households work in a similar fashion: people in the home work at jobs, taking money in, then spending it on things they need, and money goes out. The government takes in money from taxes, and then spends money on government programs, defense, etc. Essentially, goods and services flow in one direction, while money flows in the other.

In the Circular Flow Model, "leakage" occurs when an action takes money out of the economy. Examples of leakages would include people saving money, taxes collected by governments, and money spent on imports. In each of those examples, money has left the economy temporarily. When money enters the economy again, "injection" occurs. Collectivist governments see balance in this cycle as a good thing, and they use the Circular Flow Model of the economy to predict outcomes and to manipulate the economy. Disaster occurs when bureaucrats in government attempt to control the economy. That is because too many variables are in place to enable anyone to predict outcomes accurately, and set regulations and policies that produce positive outcomes. Governments that try to manipulate the economy through inflation, and that *fix* interest rates and prices, end up creating cycles of "boom" and "bust" with recessions and depressions resulting. Thus, people at all levels of the economy suffer.

A free market economy cannot function properly when government bureaucrats constantly inject taxes, regulations, penalties, and restrictions. As more government regulation produces a less effective free market, collectivists declare capitalism a "failed system" and insist on implementing communism or socialism to "fix" what capitalism allegedly "broke." Students will do well to remember the failure of collectivism in the early colonies, and in contemporary communist countries.

Today, America is divided regarding those who embrace absolute truth and free markets, and those who embrace relative truth and Marxism. In the next section, you will learn more about how collectivism spread in America, and how it has impacted the nation's economic and personal liberty.

LIFE PRINCIPLE:



"I predict future happiness for Americans, if they can prevent the government from wasting the labors of the people under the pretense of taking care of them."

-Thomas Jefferson, Founding Father and 3rd U.S. President

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Principles and Precepts of Economics



Topic 11
The Progressives

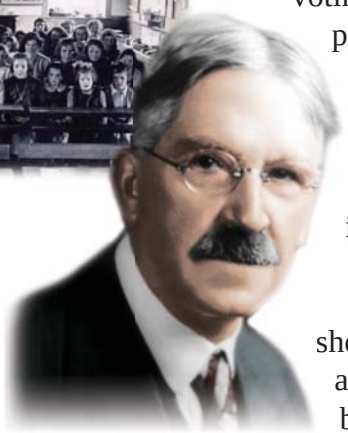
Chapter 2

Section Three
Modern Economic Issues in America

The Progressives







Progressives were, in essence, collectivists of the late 19th and early 20th Centuries. They embraced Marxist views on the economy, though they were more like socialists than communists in their methodology. Progressives believed that government should be used as a tool to create social change. They promoted democracy, believing that the general population (masses) could be manipulated into voting for leaders who would enact progressive policies. As you have learned, progressive economics is in sharp contrast to economic concepts supported by the Founding Fathers. They created a republic, rather than a democracy. The Founders promoted individualism and personal responsibility.

Progressives believed that government should play a large role in the daily lives of all Americans, with education, healthcare, businesses, and labor controlled by government. As mentioned previously, these ideas were ***propagated*** at colleges and universities, which trained new teachers and professors to spread progressive ideology in other colleges and universities.

Lawyers and judges educated in progressive schools applied collectivist ideas in the legal system. Judges interpreted laws so that any law promoting individualism and absolute truth could be ***negated***, and any law promoting collectivism and relative truth could be allowed to stand. This is often referred to as "judicial activism" or "legislating from the bench." It is the duty of legislatures to pass laws, rather than the responsibility of judges. Yet, by twisting methods of interpreting laws, judges could in essences "pass" laws indirectly by upholding or negating existing laws passed by legislatures.

VOCABULARY

Propagated: communicated widely
Negated: made null and void

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As relativists, progressives found the absolute truths contained in the Constitution problematic, so they created a new way to interpret the Constitution. Rather than deciding the constitutionality of laws based on what the Constitution actually states, judges began making decisions based on ***pragmatism***. Pragmatism is the relativist belief that decisions should be made based on what was *perceived* to be best for society, rather than based on absolute truths. As a result, perceived needs of the collective overrule rights of individuals. The Constitution is interpreted by collectivists as a "living document", which is a way of saying that its judicial interpretation should reflect the values and beliefs of the *current* generation rather than the actual wording of the Constitution.



Early 20th Century Supreme Court

For example, in the 1908 court case of *Muller v. Oregon*, the US Supreme Court made a decision based on pragmatism, rather than on absolute truth based on the Constitution. In question was whether Oregon's law limiting a woman's work hours to 10 per day was constitutional. A business owner named Muller required a female employee to work a longer day, despite Oregon law. He was convicted of violating the law. Keep in mind, under a belief in individualism, it is the choice of the business owner to decide the number of hours his employees work, and up to the employees to decide to work those hours or find a different job. Muller appealed all the way to the Supreme Court. Siding with the Oregon Supreme Court, the United States Supreme Court, *based on the social beliefs of the day*, ruled that forcing women to work more than 10 hours was bad for their health, and thus bad for society. Therefore, the law limiting a woman's work day to 10 hours was "constitutional." Keep in mind, today that *same* law would be considered "sexist" and rejected by modern courts! Remember, to a relativist, what is "true" today is subject to change, and thus the reason so many contradictory laws exist in the United States. For example, in California a man who murders a pregnant woman can be convicted of a double homicide for killing the unborn baby, while at the same time, if a woman goes to a clinic in California for an abortion, the unborn child is not protected by law.

Socialist ideology applied in America during the late 19th Century was flatly rejected by the vast majority of Americans. But, when progressives began enacting socialist policies ***piecemeal***, under the ***guise*** of making life better or more "fair," the American public began to accept gradual misinterpretations of the Constitution.

Both Republicans and Democrats embraced progressive ideas by the end of the 19th Century, and the first three presidents of the 20th Century were self-professed progressives. These were Republicans Theodore Roosevelt (1901-1909) and William Howard Taft (1909-1913), and Democrat Woodrow Wilson (1913-1921).

VOCABULARY

Pragmatism: what currently appears to be practical, regardless of principle
Piecemeal: a small amount at a time`
Guise: false appearance

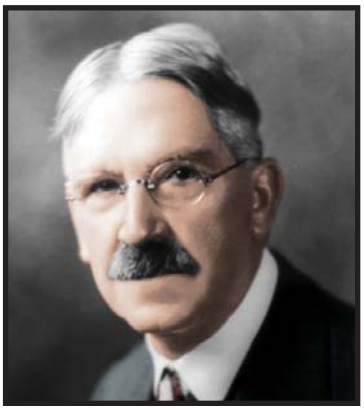
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From roughly 1901 to 1921, Progressives controlled Washington, and were very active at state and local levels of government, as well. Progressives usually gained control by passing laws ***purported*** to be best for society; but in reality, the laws simply gave governments more power over a particular aspect of individual's lives.

For example, local governments in the early 20th Century began passing and enforcing building codes, which specified how buildings could be built, which buildings could be built, and where they could be built. Allegedly, this was to make buildings safer and improve housing for poor people. Today, numerous laws force contractors to comply with a multitude of regulations. Naturally, such laws make construction much more difficult and expensive. Fewer people can afford to build homes or businesses. This means *fewer* homes are available for poor people, forcing them to live in crowded urban apartments or government-owned houses called "projects."

Progressive journalists, known as "muckrakers," sought to expose the alleged "seedy" side of capitalism by exposing businesses partaking in questionable practices. The most famous muckraker was Upton Sinclair, who wrote about the unsanitary conditions at meat packing plants. Over time, American society was hit with a deluge of stories alleging the abuses of capitalists. These stories gave seeming credibility to progressives who claimed government regulation was necessary to protect the health and well-being of Americans from capitalists. However, the free market would have been more than capable of dealing with such unscrupulous businesses once the truth was made known. People would rather buy fresh, untainted meat from a legitimate source than contaminated meat from a corrupt business owner. In a free market, the corrupt company would soon be out of business, once the truth was made known. Moreover, compliance with intrusive regulations forces businesses to raise prices, further affecting finances of poor people.


John Dewey

Compulsory education was a primary objective of Progressives. Progressive strategy called for a long-term implementation of collectivist policies over time, and controlling education was essential. This control extended from the earliest elementary grades through high school. John Dewey, called the father of modern education, was a progressive educator who promoted the idea of creating social change through public education. Thus, requiring children to go to school by force of law, and then filling their minds with progressive propaganda, was essential to the progressive agenda. This was the same educational strategy promoted by Adolf Hitler, who transformed Germany into a socialist state that committed mass murder in the 1930s and 1940s. He knew that to transform Germany, he had to gain control of the minds of children. Many of America's progressive educators praised both Hitler and the Soviet Union for progressive education used in those countries in the 1930s.

VOCABULARY

Purported: alleged to have done something
Compulsory: required by law

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Early 20th Century Public School

A study of history during the 20th Century will reveal that, in essence, America's school children were used as "guinea pigs" for progressive educators. New education theories were constantly being introduced, resulting in a continually-changing series of education methodologies. The quality of education suffered greatly. Previously, American children received either a classical-based education, or a liberal arts education, both of which included instruction in a variety of disciplines, and stressed individualism, moral principles, and conceptual thinking. Graduates of such programs were well-rounded and capable of succeeding in nearly any career field they chose.

Progressive educators, however, wanted to mold children to meet the objectives of collectivists. Students were classified into certain education categories, such as vocational, special needs, limited English, or college-bound. At a young age, the future of students was determined by social engineers, who made decisions based on perceived societal needs. For example, if a region had a lot of factories, students would be educated for factory work. Few students would be encouraged to follow a college track. Not surprisingly, the need for teaching history was down-played, thus distancing children from the facts of America's origins and beliefs of the Founding Fathers. This process of social engineering created major gaps in the workforce.

As you can see, progressives wanted to control every area of life, "from the womb to the tomb." By the late 1920s, progressives began referring to themselves as "liberals." This was a clever strategy to confuse people. The liberalism of the 18th Century stressed individualism and a belief in the God of the Bible as the originator of truth. 20th Century liberalism was the polar opposite of 18th Century liberalism. Changing the meaning of words is a common strategy used by relativists to camouflage their true intentions. As mentioned previously, most people will not willingly give up their liberties; they have to be tricked into doing so. As we shall see, however, with the great growth of the welfare state in the late 20th Century, more and more Americans have been willing to become subservient to government in exchange for promises of free, economic benefits.

One of the tragedies of progressive educational systems is that students lose confidence in capitalism. Consequently, most youth are not equipped to become entrepreneurs. Moreover, as set forth in the next topic, students indoctrinated with collectivist economic beliefs develop a distorted perception of economics, and are ill-equipped to practice entrepreneurial policies at home, in business, or in politics.

LIFE PRINCIPLE:

"As government expands, liberty contracts."

-Ronald Reagan
40th U.S. President



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Principles and Precepts of Economics



Topic 12
Change Comes

Chapter 2

Section Three
Modern Economic Issues in America

Change Comes



The Progressive agenda in America rapidly pushed its way into public schools and colleges in the 20th Century. The first three presidents of the century embraced progressive ideology, as did many educators and politicians at the local, state, and federal levels. Most significant, perhaps, was the use of textbooks in government schools to promote progressive ideology, ensuring that subsequent generations of leaders would be more likely to embrace collectivist ideals.





In the mid-19th Century, trade unions emerged. *Trade unions* are groups of organized workers in a given trade, such as carpenters and mechanics, who petition employers for higher pay, improved working conditions, and benefits for disability, etc.

Members of trade unions pay monthly dues to support union leadership, who in turn force business owners into negotiations through ***strikes***. A strike shuts down the business as a way of blackmailing the business owner into giving in to workers' demands. The only recourse business owners have is to fire workers on strike and hire non-union replacements, or submit to the union's demands. Hiring non-union replacements is not as easy as it might sound. Workers who cross a ***picket line*** of striking employees are derided as "scabs" and scorned as anti-union. Also, many of the positions that need to be filled require skilled, well-trained workers, and finding replacements for striking workers can be time-consuming and expensive for employers.

In 1869, the Knights of Labor was organized by Terrance Powderly. The Knights sought equal pay for women, abolishment of child labor, and cooperatively owned factories, whereby the workers would all share in ownership of the business. Powderly

VOCABULARY

Strikes: union strategies whereby workers walk off the job
Picket Line: union workers who block access to factory jobs

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opposed strikes. The Knights of Labor extended membership privileges to skilled workers, such as carpenters, and to unskilled workers, such as factory laborers. Since skilled and unskilled workers had few goals in common, the union was ineffectual in its efforts on behalf of the members, which contributed to the ***demise*** of the Knights of Labor.

In 1886, the American Federation of Labor (AFL) emerged. The AFL accepted only skilled workers, and promoted strikes. The AFL also organized workers by trade, ensuring more precise tactics could be used to benefit members. Samuel Gompers, AFL's president, sought higher wages, shorter hours, and benefits for disabled union members.



Pullman Railroad Strike

In 1893, socialist Eugene Debs established the American Railway Union for railroad employees. When the Pullman Palace Car Company, which made railroad cars, laid off two-thirds of its workers and cut the pay of the remaining workers, Debs moved quickly. Pullman refused to enter into ***arbitration*** with the Union, so Debs called for a strike of any railroad workers who worked on a train using Pullman cars. Within five days, 100,000 railroad workers walked off the job. President Cleveland sent troops to Chicago to ensure mail trains were not obstructed, and rioting broke out. The Government obtained an ***injunction*** to stop the strike. Debs was thrown into prison, and the strike, as well as the Railway Union, fell apart.

VOCABULARY

Demise: end of existence or activity
Arbitration: neutral 3rd party makes a binding decision in disputes
Injunction: court order stopping an activity

Setbacks for 19th Century unions did nothing to stop the increase in their popularity over time. It should also be noted that unions became more collectivist in philosophy and more radical in methodology as time progressed. As collectivist ideas became more prominent in American society, power and popularity of unions continued to grow. In all but the last part of 20th Century, trade unions were a strong force in the movement toward collectivism in America. However, by 2000, unions represented less than twenty-five percent of US employees. As a student of the free market, you can see how unrestrained unions can impact economies. Whenever a business owner is forced out of his property, local economies suffer as employees lose their jobs.

Another way trade unions interfere with free markets is by promoting trade barriers. Unions, which are powerful and wealthy as a result of mandatory membership dues, often contribute large sums of money to help politicians get elected. In return, unions expect politicians to promote and pass legislation to erect trade barriers, such as high tariffs on imports. Such action forces importers to raise prices in order to make a profit selling imported goods to American consumers. Higher prices on imports encourage more Americans to buy union-

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manufactured, domestic products. As you have learned, competition in a free market lowers costs and improves quality of goods. Union policies often drive up costs and decrease quality of goods.

Another reason collectivism grew in America, was because socialists see wealth much like a pie, with a fixed quantity available to everyone. They dislike the idea that some people have very large pieces of pie, while most people have very small pieces. In the eyes of the collectivist, poor people deserve a bigger piece of the economic pie. So, collectivists, like Marx, want to take money from the wealthy, and redistribute wealth to the poor. Thus, collectivists desire to "spread the wealth around," so everyone gets his "fair share." Naturally, elites in government decide what portion of income each person gets to keep, as well as how much wealth gets distributed, and to whom it is given. This philosophy is flawed because it discourages entrepreneurs from taking risks to start new enterprises or add new jobs at existing businesses.



Cartoon critical of entrepreneurs

Wealth is not a pie with a fixed quantity that must be shared. Wealth is created. ***Visionaries*** take natural resources, and create products and services of value and use to others. Thus, wealth creation exists with nearly *unlimited potential*. As a result, many people in America who started out poor became wealthy through hard work, ingenuity, and persistence. Naturally, those who did not have the ambition to improve their lot remained in the same economic status at which they started to work. Clearly, some people who work hard, have ingenuity, and keep trying, will fail. In a free market, no one is guaranteed success. However, a poor person in the free market is far more likely to achieve wealth than a poor person in a collectivist society. Poor people in collectivist societies have accepted their lot as a permanent condition, and they become dependent on government to provide basic needs.



In a free market economy, anyone can be an entrepreneur.

Free markets provide hope and opportunity to all people. Collectivism limits potential and keeps people from improving their standing in life. Free markets create wealth. Collectivism creates dependency on government and limits availability of resources; that is why elites in government agencies want to redistribute the "pie" among people who rely on government.

When America was founded in the 18th Century, free markets ensured everyone who wanted an opportunity to improve their economic situation could pursue that goal. The vast majority of people succeeded, while

VOCABULARY

Visionaries: people who see opportunities and imagine good results
Extraordinarily: well beyond the ordinary

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some became ***extraordinarily*** wealthy. Far fewer people remained in poverty than ever before in the history of the world. In time, American collectivists openly criticized the idea of equal opportunity, and promoted the idea of "equal outcomes" instead.

By and large, people who do not want to work support the idea of "taking from the rich and giving to the poor" through use of force. People with dignity and self-respect do not want a handout. They simply want opportunity to succeed by their own efforts. The more collectivism has infiltrated free markets through government regulation, the harder it is for people to succeed in the free market, which makes government handouts appear to be necessary.



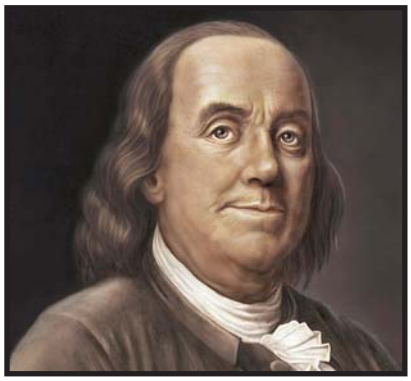
Hard economic facts predict that, by 2027, mandatory government spending and interest on the federal debt will consume all federal revenue collected by taxes to support social security, medicare, foodstamps, and other social programs — leaving no funds for defense, education, highways, or pay for federal employees. Under such collectivist policy, the future economy of the US is projected to fail. The alternative is for Congress to insist on cutting numerous social services, trim taxes on businesses so they can hire more people, and to balance the federal budget without increasing taxes on wage earners.

In the next lesson you will learn in more detail about laws that were passed to ensure collectivist ideology would be embedded in American economics. Collectivist politicians promoted the idea that taking from the rich and giving to the poor is an act of collective "charity" and *benevolence*. In reality, Americans are forced, via taxation, into supporting causes and groups in which goals and practices are destructive to free enterprise.

VOCABULARY

Benevolence: kindness done to another

LIFE PRINCIPLE:



"When the people find that they can vote themselves money, that will herald the end of the republic."

-Benjamin Franklin, Founding Father

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Principles and Precepts of Economics



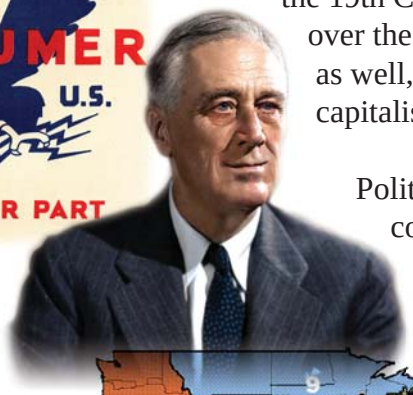
Topic 13
New Economics Part I

Chapter 2

Section Three
Modern Economic Issues in America

New Economics Part I







In this topic and the next, we will look at how the United States Government gradually took control over the economy, essentially curtailing the free market. While our focus will be on the 20th Century, keep in mind that many things happened during the 19th Century that eventually enabled government dominance over the economy; and much has happened in the 21st Century as well, to chip away at our economic freedoms based on capitalism.

Politicians at every level have participated in the collectivization of the American economy, though our main focus now is on the federal government. You will come to understand that politicians at local, state, and federal levels have violated principles in the Declaration of Independence and Constitution. Unfortunately, Americans have, by and large, allowed it to happen. Freedom is not free – it requires eternal vigilance, and as you will see, freedom is usually lost ***incrementally*** through government ***encroachment***.

Creating new government departments and regulations to oversee specific aspects of the economy became commonplace in the 20th Century. For example, during the Progressive Era (1890's to 1920's), laws were passed to enable government bureaucracies to regulate interstate commerce, and food and drug production. Such laws encouraged union activity, gave government control over wages and hours worked, and regulated radio and other broadcasts. In 1903, the Department of Commerce and Labor was established, further empowering the federal government to control the economy. One particularly egregious bureaucracy, the Federal Trade Commission, stated "… unfair methods of competition in commerce are hereby declared unlawful"; the Commission did not define "unfair," giving the government broad regulatory powers

VOCABULARY

Incrementally: a series of regular additions or gains
Encroachment: gradual take over

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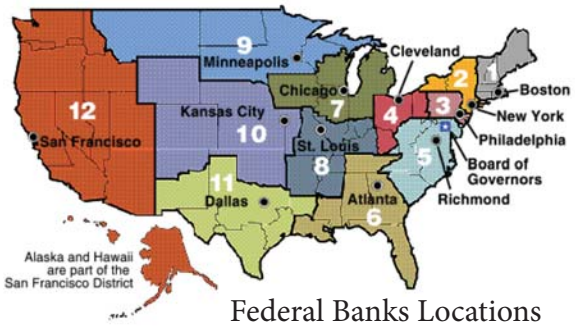
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which government agencies abused to limit free exercise of capitalism.

In addition to laws and bureaucracies of the Progressive Era, Constitutional Amendments passed by progressives were very detrimental to the free market in the United States. In 1894, a law was passed taxing income, something prohibited by the Constitution. The law was found unconstitutional by the courts and became null and void. So in 1913, the 16th Amendment, making income tax constitutional, was passed. This opened the door for collectivists to redistribute wealth from those who have earned it to those who have not earned it. From the onset, the income tax was *graduated*. The graduated system of taxation discourages financial growth, as the more money a person makes, the greater the *percentage* of taxes he must pay to support government agencies and programs, designed to establish economic equality.

The17th Amendment to the Constitution, passed in 1913, established the direct election of Senators by the people at large. Originally, Senators were appointed by states, ensuring state governments would have a voice in the federal government. This was in keeping with Federalism which the Founding Fathers established, whereby power was shared between states and the federal government. Collectivists favor democracy, however, over any form of republican government, so people can vote on issues directly. This enables governments to bribe people into voting for candidates who offer to provide more welfare benefits.

In 1919, the 18th Amendment was passed, prohibiting manufacture or sale of intoxicating beverages in order to protect women and children from abusive drunkards. The motive was good, but the amendment deprived an entire industry of liberty and property. Prohibition against manufacturing alcohol was originally proposed as a war measure during World War I to conserve foodstuffs for use in the war effort. Banning alcoholic beverages, however, went hand in hand with Progressive ideas that society should be shaped by government. This amendment was repealed in 1933 by the 21st Amendment. Ironically, the 21st Amendment was supported by progressive politicians involved in the import and distribution of alcoholic beverages.



Federal Banks Locations

In 1913, the Federal Reserve Act established a federal banking system, which consists of 12 Federal Reserve banks: one in each of 12 federal districts created in the country. All districts are controlled by the Federal Reserve Board. All national banks had to be members of the Federal Reserve banks, and state banks could join. Since the Federal Reserve Board members are federally appointed, member banks have no control over policies or behavior, although some control was implied initially.

The Federal Reserve Board controls currency and credit. For example, the Federal Reserve oversees printing of paper money. As you have learned in previous lessons, when more paper money is produced than can be backed by silver or gold, the value of money decreases, resulting in rising prices. The practice of inflating the money supply always leads to financial crisis sooner or later,

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but the government has tasked the Federal Reserve with attempting to manipulate the economy by increasing or decreasing the money supply. Another way the Federal Reserve attempts to manipulate the economy is by raising or lowering interest rates on bank loans.

This constant manipulation of the money supply and interest rates results in "boom" and "bust" cycles in the economy with growth and wealth created at some times, and great economic depression at others. These back-and-forth changes are referred to as *business cycles*. Aside from the obvious infringement upon life, liberty, and property that government intervention creates, unemployment increases during the bust side of the cycle. Businesses that suffer losses due to increased interest rates and inflation end up laying off workers. Increased unemployment results in greater need of government programs to provide for the basic needs of unemployed workers, which results in a greater tax burden for people still working or running businesses. Government intervention in the economy always results in uncertainty and instability, further hampering free markets. Productivity and investment slow down, adding to economic woes.

Collectivist John Maynard Keynes was one of the key economists who spearheaded the above philosophy of government control of economics during the first half of the 20th Century. Keynes was a British economist who believed government intervention in the economy would produce the most good. Much of what collectivists in America have done is rooted in Keynesian thinking. The idea that government can successfully manipulate the economy by setting interest rates and wages, was made popular in the 20th Century by Keynes. His influence on the progress of collectivism in America cannot be underestimated. His influence continues to this day.

VOCABULARY

Tsunami: (figuratively speaking), a sudden increase of something



Government Poster

When Franklin D. Roosevelt (FDR) became President in 1933, a ***tsunami*** of regulations were passed to form bureaucracies under what was called the "New Deal." For example, the federal government took control of electrical power production and distribution, industry, agriculture, communications, and labor. To control agricultural prices, the government ordered farmers to stop production. The government actually paid farmers not to grow crops or raise livestock! In addition, at the initiation of the Agricultural Adjustment Act of 1933, the government ordered the destruction of thousands of acres of cotton and other crops, and ordered the destruction of 6 million pigs – all wasted resources. The National Recovery Administration (NRA), established in 1933, used fascist-like propaganda to force businesses to adopt codes and encourage consumers to buy products produced or sold by cooperating businesses. Supportive businesses displayed a blue eagle in their windows; while businesses that refused to cooperate were boycotted. Welfare programs and Social Security actually encouraged unemployment, because people perceived that the government would take care of people who didn't want to work.

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WATCH VIDEO: The New Deal Failure

The above acts are a sampling of FDR's New Deal programs. Several portions of New Deal programs were struck down as unconstitutional by the Supreme Court, but the damage was done, and government bureaucrats found other ways to implement collectivist polices. Remarkably, in response to Supreme Court rejection of parts of the New Deal, FDR introduced legislation that would increase the number of judges on the Supreme Court to 15, and remove justices after age 70. That would have enabled him to pack the Court with pro-New Deal supporters! Fortunately, the law did not pass, although the Court began later to side with FDR.



President Franklin D. Roosevelt

In 1933, FDR moved the economy away from the gold standard. That action opened the door to inflation, enabling a way for the federal government to fund the welfare programs. FDR literally outlawed private possession of gold, forcing people to sell their gold to the Federal Reserve. A clear violation of the right to property, this law remained in effect until 1974, when President Gerald Ford signed legislation that made private ownership of gold legal again. It should be noted that the nation held to a loose variation of the gold standard until 1971, when President Nixon announced that the United States would no longer convert dollars to gold at a fixed rate. The silver standard had been eradicated in 1965, further enabling inflation. Fiat money became the law of the land.

VOCABULARY

Tenure: term of office
Deliberation: unhurried debate of pros and cons of a matter

During FDR's ***tenure***, the executive branch actually wrote many laws that were sent to Congress for passage. Keep in mind, all legislation is supposed to originate in Congress, and when both houses of Congress have passed a bill, after much ***deliberation***, it is then sent to the President to sign or veto. However, under FDR, the executive branch took on a much more powerful role than the Constitution allowed or that the Founders intended. So much legislation passed during the first 100 days of his presidency, that the FDR era has been dubbed "The First Hundred Days" by historians. Keep in mind, under normal circumstances, passage of a bill can take weeks or months to become law when the Constitution is followed properly, with rare exceptions for emergency situations.

The welfare state was well-established in the United States by the mid 1940s. It grew even more in the 1960s, as you will see in the next lesson. Hard work has become less financially rewarding, while shiftlessness has been rewarded financially by the government.

Naturally, numerous laws, regulations, and bureaucracies result in limited opportunity for businesses to operate and succeed. With constantly changing laws, business owners are afraid to invest money; what is legal today might be outlawed tomorrow. When government controls nearly every aspect of the economy, free markets are

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no longer free, and businesses must ***kowtow*** to the whims of agencies in power. Such an environment discourages entrepreneurs and businesses to start up, grow, and prosper.

Collectivist economics are a disaster for freedom-loving people, and contribute much suffering to countries that could otherwise prosper, as the next topic reveals.

LIFE PRINCIPLE:



"One of the great mistakes is to judge policies and programs by their intentions rather than their results."

-Milton Friedman, Economist

VOCABULARY

Kowtow: to bow down, submit

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Principles and Precepts of Economics



Topic 14
New Economics Part II

Chapter 2

Section Three
Modern Economic Issues in America

New Economics Part II



On October 24, 1929, the stock market crashed. Known as "Black Tuesday," the crash ushered in an era remembered as the "***Great Depression.***" Two key factors led to the crash. First, the government had been inflating the money supply to bankroll progressive federal programs and policies. Second, with the influx of fiat money into the economy, many people purchased large quantities of stock, often with easily available credit from banks. Rapid growth of the stock market gave the appearance of prosperity to businesses.

When the government stopped inflating, investment slowed down considerably. People began to worry. Soon, they began to panic. People started selling their stock as quickly as they could as prices dropped, which caused stock prices to plummet. On October 24, the Wall Street Stock Market crashed. Investors lost their fortunes. Millions of people, who had never gambled on the stock market, lost their life savings as banks closed across the country. Banks keep only a limited supply of cash on hand in relation to deposits, because banks approve loans and make investments. When the economy began to crash, people panicked and withdrew their savings, knowing that only a limited supply of money was held in banks. The economy was in depression for more than a decade.

Interestingly, in the progressive retelling of history, collectivists blame capitalism for the stock market crash, since it was capitalists who invested in the stock market and controlled businesses. As mentioned previously, collectivists create problems in the free market via regulation and inflation. When free markets

VOCABULARY

Great Depression: period of major unemployment between 1929 and 1939

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inevitably fail due to interference, collectivists employ propaganda to convince people that capitalism caused the economic hardships.

It was this environment that led to the election of collectivist President Franklin D. Roosevelt in 1932. Many historians credit FDR with ending the Great Depression, however, FDR's collectivist policies and programs actually *prolonged and worsened* the depression. World War II, while often credited with ending the depression, merely shifted government spending from collectivist programs to war production by capitalists. Unemployment dropped because so many men were in the military and industry converted to the manufacture of armaments. Most manufacturing during WW II was government funded with taxpayer money. When World War II ended in 1945, war-weary Americans were eager to buy new luxury items like cars, refrigerators, and TVs. Wartime industry was quickly transformed into a peacetime industry, creating modern conveniences. American industry, that is, *free enterprise*, led the economic recovery that brought prosperity back to America in the 1940s and on into the 1960s.



United Nations flag

FDR *was* responsible for promoting the United Nations (UN), a world-wide collectivist organization which was established in 1945. FDR envisioned a utopian world through the UN that would ensure every person had what he called the "four essential freedoms:" speech and worship, and freedom from want and fear. While freedom of speech and worship were considered God-given rights by the Founding Fathers, they certainly never subscribed to a belief that men had a right to be free from want or fear. Those are collectivist ideals that can never be realized, yet collectivists insist that if men give up their natural rights to elites in government, things will work out to everyone's betterment.

Since its inception, the UN has attempted to eliminate poverty in the world, and failed miserably. Collectivism ensures perpetual poverty; it never eradicates it. The UN has also assumed a "peace-keeping" role, attempting to end wars. Since tyrants who start wars do not subscribe to the utopian ideals of collectivists, the UN has failed miserably at that task, as well. Finally, the United Nations has attempted to usurp the authority of sovereign nations by passing many treaties that overrule national law. The collectivist desire to form a one-world government, with the UN as the ruling body over all men, has been an ongoing threat to freedom-loving people around the world.



President Truman

Democrat Harry S. Truman, who succeeded President Roosevelt in 1945, also promoted collectivist policies. In 1946, the Employment Act passed, essentially making Congress the custodian of employment in the United States. That is, Congress would seek to ensure that every American had a job. That resulted in more meddling with the economy. After his election, Truman promoted his "Fair Deal" program in 1949, an attempt to continue the "New Deal" collectivism that FDR had introduced. Some people in government fought back against Truman's attempt to expand the welfare state. For example,

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Republicans and conservative Democrats fought against price controls, that had been implemented during FDR's term and during the war years, and won a victory for free markets. Eliminating price controls helped spur economic growth. Truman had opposed lifting price controls. He did succeed in getting the government involved with housing through the Housing Act of 1949, which called for building of government-subsidized, low income housing in inner cities.
Overall, Truman was not very successful in implementing the welfare state programs he had wanted, due to opposition in Congress. His successor, Dwight D. Eisenhower, was a Republican who was more open to free market ideas.


President Eisenhower

One reason businesses flourished in the 1950s was President Eisenhower's pro-business policies. For example, during that time, 3,000 smaller companies merged into 500 larger companies, and Eisenhower's administration did not pursue anti-trust suits against businesses, preferring to let the free market dictate economic growth and business decisions. Eisenhower opposed what he called "creeping socialism" in government, and during his first term he supported attempts to shrink the size and influence of government. During his second term, however, Eisenhower seemed to ***capitulate*** to the welfare state, no longer opposing it so forcefully. In 1954, a new Housing Act passed that expanded government spending on low-income housing. ***Deficit spending*** under Eisenhower was greater than it had ever been during peacetime. Many Republicans began to see the welfare state as a permanent fixture in American life, that at best, could only be slowed down.

VOCABULARY

Capitulate: cave in, surrender
Deficit spending: spending in excess of income

Eisenhower's initial attempts to roll back, or at least slow down, the welfare state during his first term benefited from other factors that contributed to economic growth. In the 1950s, factories began to incorporate automation, with machines doing much of the work previously done manually by laborers. Greater production brought down prices, which stimulated spending, which created jobs. Computers were being introduced to industry, further enhancing efficiency in production and operations.

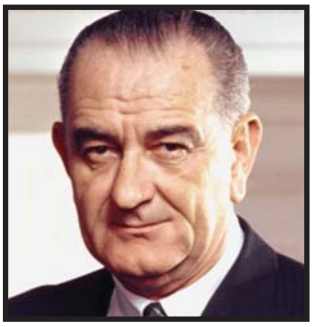

President Kennedy

Eisenhower served from 1953 to 1961, and his successor, John F. Kennedy, was a Democrat who started the Nation back down the collectivist road. Kennedy promoted government spending as a way to stimulate the economy, and called for businesses to implement price controls. In essence, he was promoting the same collectivist ideology that FDR had implemented with the New Deal. Kennedy called his collectivist plan the "New Frontier." He claimed Americans would have to choose between "public interest and private comfort," as though those were opposing values. In fact, when people are prospering economically, they will enjoy comfort, and the public interest will be well-served.

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Kennedy's call for a "New Frontier" implied that values and principles that made America free and prosperous were somehow defective, and a new direction was needed. Under Kennedy's leadership, social security benefits expanded, federal aid to education was increased, and the food stamp program, which provided government monies for groceries, was increased. Social Security taxes increased, as did government spending on low-income housing. Kennedy coerced the steel industry to lower prices. Roger Blough, of United States Steel stated, "… never before in the nation's history had so many forces of the Federal Government been marshalled against a single industry." As bad as Kennedy's New Frontier was, his successor, Lyndon B. Johnson, took the expansion of the welfare state to new heights. Johnson served out the remaining term after Kennedy's assassination in 1963, then was elected in 1964.


President Johnson

President Johnson quickly introduced his "War on Poverty." Given human nature, and the propensity for some to be slothful and unproductive, Johnson's goal was unrealistic. Naturally, it was just another excuse to expand the welfare state via collectivist ideology. Fifty years later, evidence proved that government programs cannot eradicate poverty; they can only perpetuate it. In many instances, generations of families have been on welfare programs since the 1960s. When Johnson ran for election in 1964, he dubbed his program of collectivism, "The Great Society." Too much space would be required to relate all of the welfare programs passed under Johnson's administration. Suffice to say that freedoms declined as many new government agencies and laws were enacted. Perhaps the most egregious acts passed were the clean air and water acts signed into law under President Johnson, and promoted by environmental activists. Many environmentalists consider the earth as the most important entity, and think that man is a ***blight*** upon it.

Avid environmentalists are collectivists who embrace the secular humanist worldview. They do not espouse a belief in God, ***per se***, but instead, believe that man is the highest being and therefore man is responsible for ensuring that animals and the earth are protected from development and economic growth. Many environmentalists believe animals and the earth should have *priority* over the needs of people. As such, radicals want to use environmental regulation to gain control over businesses and private property. Using questionable science, environmentalists ***lobby*** legislatures to pass laws limiting construction, development, and the retrieval of natural resources for industry, because environmentalists claim such actions will harm the environment.

For example, for many years an oil pipeline has been proposed to transport oil from Canada to parts of the United States. This job-creating initiative has been blocked because environmentalists claim it would harm the environment. Dams in the northwestern US have been torn down because of claims they harm fish. As a result, farmers have gone out of business because

VOCABULARY

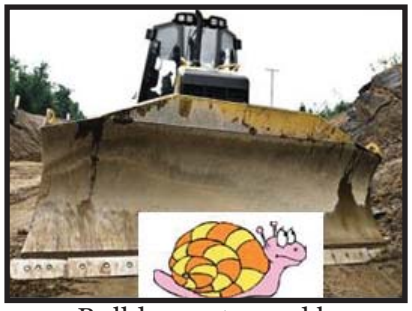
Blight: cause of ruin
Per se: as such; by itself
Lobby: influence and bribe lawmakers

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they did not have access to adequate water supplies, which dams provided. Nearly every industry has been hurt by environmental laws that manipulate free markets, and confiscate or control private property. Millions upon millions of jobs have been lost – or never created – due to restrictive environmental regulations. While no one would suggest that people should pollute or destroy the environment, environmental activists use excessive regulation to control people, property, and businesses under justification of "saving the planet".

Following Democrat President Johnson was Republican Richard M. Nixon, who further enabled the environmentalist movement. Under Nixon's administration, the Environmental Protection Agency (EPA) was established by means of an executive order. The assumed responsibility was to protect human health and the environment from harm caused by human activity, such as pollution. The EPA writes and enforces its own regulations, giving it a huge amount of authority. Controlled largely by environmental activists, the EPA has become a strong-arm tool of collectivists to increase governmental power under the guise of protecting the environment. Regulations have been passed depriving citizens of property and property rights. Complying with EPA regulations costs businesses billions of dollars every year. Science used by the EPA is often politicized, in that the EPA ignores scientific evidence contrary to its environmental agenda.



Bulldozer stopped by EPA agenda

Under Nixon's Presidency, the Endangered Species Act was passed in 1973. This law enables the government to stop development of land and harvesting of natural resources by merely declaring an animal or insect is "endangered." Many a 50-ton bulldozer has been stopped in its tracks by a one ounce allegedly "endangered" snail. People are prohibited from building additions to their homes or cutting down trees in their own yards because the federal government has placed a bug, bird, or animal on the endangered species list.

Democrat James "Jimmy" Carter succeeded Nixon as President in 1976, and promoted collectivism like his predecessors. Under his administration, inflation escalated and energy production dropped, causing gasoline shortages nationwide. (In the next topic, we will examine the resurgence of the free market under President Ronald W. Reagan's presidency, from 1980-1988, so we will not cover that information here).

After Ronald Reagan left office in 1988, the collectivist state continued to grow under Republican George H. W. Bush (1988-1992), Democrat William Jefferson Clinton (1992-2000), Republican George W. Bush (2000-2008), and under Democrat Barack Hussein Obama (2008-2016). As can be seen, both Republicans and Democrats have strengthened and expanded the welfare state, though Republicans tend more towards free market policies overall. Many conservative Republicans want to roll back the welfare state and return to the principles of the Founding Fathers. Some states, like Texas and North Dakota, have made great inroads in returning to free market policies, and their economies have boomed.

Under Barack Obama's presidency, the attack upon individual liberties, growth of the welfare state, and abuse of government

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power took on gigantic proportions. He promised during his campaign to "radically transform America." This implies, of course, that major economic problems existed with free enterprise as envisioned by the Founding Fathers. Under Obama's presidency, for the first time in history, American citizens were *forced* by the federal government to purchase "Obamacare," passed by Congress as the Affordable Care Act, which is a nationalized health care program. Failure to purchase government healthcare insurance, or sign up for a government-approved program, resulted in financial penalties, thereby causing major damage to the U.S. economy. Obama's Department of Education expanded government influence over education, virtually controlling how schools operate.


President Obama

The Internal Revenue Service (IRS), the tax-collecting agency of the federal government, has always been viewed with suspicion by freedom-loving Americans, because the IRS has power to prosecute people, confiscate private property, and incarcerate Americans for tax evasion. Under Obama's presidency, the IRS deliberately targeted conservative organizations and individuals, used the power of the federal government to hinder acquisition of tax-exempt status, and launched investigations against ***dissidents*** who opposed the President's collectivist policies. Such strong-arm collectivist tactics endanger the free enterprise economic system

VOCABULARY

Dissidents: those who appose the official policies of a collectivist state
Sanctuary: place of refuge or asylum

Illegal immigration from Mexico and Central America had been a problem for decades, but Obama's open-border policies actually *encouraged* illegal entry into the US by lack of enforcement of immigration laws, extension of welfare benefits to illegal immigrants, and federal prosecution against states that attempted to enforce federal immigration laws. Border States were hit with billions of dollars in costs in education, healthcare, and law enforcement because of the influx of illegal immigrants. State economies suffered immensely. ***Sanctuary*** cities, harboring illegal aliens, including convicted murderers and rapists, were not prosecuted, or even discouraged, by the federal government under President Obama.

An estimated 15 to 30 million illegal immigrants in the country contributed to exorbitant costs associated with the problem, and caused mass economic chaos, as businesses, schools, and medical facilities attempted to accommodate people with limited language employability skills. Under Obama's administration, radical Islamic terrorists used mass murder to disrupt the American economy, forcing law enforcement to apply police-state tactics to protect property and life. Collectivists captured the moment to condemn and attack policemen. Rioting around the country destroyed hundreds of businesses and cost local economies millions of dollars. Many people lost their jobs, adding to the already high unemployment rate.

During Obama's administration, fear, chaos, and huge amounts of government

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spending on welfare programs created one of the worst economies in US history. Unemployment grew out of control as government regulations hindered business growth. Massive quantities of oil, coal, and natural gas that could power America for centuries and spur rapid economic growth were placed off limits due to government regulations banning their extraction and sale overseas.

The economic stress that occurred under collectivist government policies demonstrates the need for informed individuals to become involved in efforts to return the nation to free enterprise principles established by the Founding Fathers.

As you will see in the next topic about President Ronald Reagan, a return to our Nation's core principles is not only possible, it has happened before and can happen again!

LIFE PRINCIPLE:



"Freedom is precious because it was bought with the tears, wounds, and deaths of noble people who demanded liberty rather than convenience."

-Ronald E. Johnson, Educator

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Principles and Precepts of Economics



Topic 15
Return to Greatness

Chapter 2

Section Three
Modern Economic Issues in America

Return to Greatness







A return to greatness in terms of economic and personal liberty, as established by our Founding Fathers, occurred to a great extent during the presidency of Republican Ronald W. Reagan in the 1980s. Any serious study of economics includes consideration of Reagan's economic policies and philosophy behind the great economic success of the 1980s. President Reagan and proponents of Austrian Economics provided the ***blueprint*** that can if applied, enable this generation to prosper and enjoy economic and personal liberty again.

President Reagan served from 1980 through 1988. Under his leadership, Americans were inspired to embrace values and principles ***espoused*** by our Nation's Founding Fathers. Reagan's optimism and faith in Judeo-Christian principles of the Founders encouraged Americans to take confidence in the founding principles that had provided so much economic prosperity and personal liberty in the USA.

Reagan's belief in free markets established four main goals in his presidency:

1. Reduce the growth of government spending
2. Reduce tax rates
3. Reduce government regulation
4. Reduce inflation

Most historians concur that Reagan was at least partially successful in his endeavors. Forces beyond his control hindered some of his plans, and not everything implemented by his administration was consistent with Reagan's goals. In the article, *Reaganomics*, author William A. Niskanen sums up the Reagan legacy:

VOCABULARY

Blueprint: plan, pattern
Espoused: adopted or supported

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President Reagan delivered on each of his four major policy objectives, although not to the extent that he and his supporters had hoped. The annual increase in real (inflation-adjusted) federal spending declined from 4.0 percent during the Carter administration to 2.5 percent during the Reagan administration, despite a record peacetime increase in real defense spending.

The top marginal tax rate on individual income was reduced from 70 percent to 28 percent. The corporate income tax rate was reduced from 48 percent to 34 percent. The individual tax brackets were indexed for inflation. And most of the poor were exempted from the individual income tax.

The reduction in economic regulation that started in the Carter administration continued, but at a slower rate. Reagan eased or eliminated price controls on oil and natural gas, cable TV, long-distance telephone service, interstate bus service, and ocean shipping… The major exception to this pattern was a substantial increase in import barriers.

The Reagan administration did not propose changes in the legislation affecting health, safety, and the environment, but it reduced the number of new regulations under the existing laws.

Productivity in the manufacturing sector increased at a 3.8 percent annual rate, a record for peacetime.

The unemployment rate declined from 7.0 percent in 1980 to 5.4 percent in 1988. The inflation rate declined from 10.4 percent in 1980 to 4.2 percent in 1988.

Overall, with the exception of a recession in the early ‘80s that resulted from corrective actions taken to improve the economy for the long-term, Reagan’s policies brought economic improvements to most Americans. President Reagan’s economic policies have been dubbed “Reaganomics,” a term used by his collectivist opponents to ***disparage*** him, but used by his supporters to trumpet his successes.



American merchant and consumer

Reagan subscribed to “Trickle-down Economics,” which grants substantial tax cuts for entrepreneurs who own businesses. Tax cuts result in an expansion of the economy. With lower taxes, entrepreneurs have more of their own money to invest in expanding their businesses. This means more jobs are created, which leads to more people spending more money, which leads to even more business expansion. When wealthy persons are well off, the effects “trickle down” to the rest of the people. Everyone profits, from businesses selling goods and services, to consumers, who enjoy the fruits of their labor via greater purchasing power. Because greater production of goods is possible due to Trickle-down Economics, consumers have access to a greater variety of goods at lower prices.

VOCABULARY

Disparage: to belittle, disrespect

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WATCH VIDEO: Reagan on Socialism

Trickle-down economic theory is based on Supply-side Economics. Supply-side Economics states that when the economy experiences an increase in availability of money, labor, goods, and services, consumers exhibit an increase in demand for goods and services. Lower tax rates and deregulation spur an increase in supply.

Reagan's policies were more in line with free market principles embraced by our Founding Fathers than any other modern President. Reagan was influenced by several leading economists who advocated Austrian Economics. This view of economics is very similar to the views of the Founding Fathers, in that it espouses individual liberty and free markets. The term *Austrian Economics* is attributed to Austrians such as Carl Menger, Ludwig von Mises, and Fredrick Hayek.

Friedrich Hayek was a famous Austrian economist who greatly influenced movement back towards free markets in the United States during the 20th Century. Perhaps more than any other man, he helped to spread the ideas of Austrian Economics during a time when collectivists were running ***amok***, expanding the size and power of government. During the 1930s, Hayek opposed Keynes through a series of articles in the *Economic Journal*, refuting Keynes's collectivist theories on economics. Hayek's economic work greatly influenced President Ronald Reagan in the US and Prime Minister Margaret Thatcher in Great Britain during the 1980s.

VOCABULARY

Amok: a state of faulty frenzy
Monumentally: astoundingly large


Milton Friedman

Another proponent of Austrian Economics was Nobel Peace Prize awardee, Milton Friedman. Not only did he successfully promote the Austrian School of economics, but he served as an advisor to President Reagan during the 1980s. Friedman was a strong opponent of inflationary practices, and his 1962 book, *Capitalism and Freedom*, had a profound influence on economic debate in the United States and around the world. He became known as an expert defender of free markets. In the 1980s, Friedman took his defense of free markets to the public via a Public Broadcasting Station (PBS) mini-series called *Free to Choose*, later adapted into a book by the same name. Perhaps more than any other economist in modern times, Friedman's defense of free markets helped to preserve and promote economic liberty for Americans and others around the world.

Much has happened since the free market successes of President Reagan. As explained in the previous lesson, collectivists in all three branches of government have reversed much of the progress that Reagan made during the 1980s. Under President Obama, power of government and restrictions against free markets grew ***monumentally***. However, students should remember that knowledge is power, and as a student of free market economics, you possess power to turn things around in America during your lifetime. Let's consider some facts that will help you to accomplish this very important goal.

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The magnitude of economic challenges must be clearly stated: US Citizens have allowed the federal government to become increasingly intrusive. The federal government is not the only entity that strayed from the original purpose of protecting individual rights as intended by our Founding Fathers. State and local governments have also usurped power. According to the Founders, a government that restricts or takes away inalienable rights, becomes tyrannical, and must be altered or abolished. Your knowledge about economics, empowers you to alter government so that it will return to its intended role as protector of individual liberties.

The *first* two things needed to reverse current economics practices are education and integrity. Like Milton Friedman, you can become a promoter of ideas that support individual liberty. Economic principles learned in this course are a great place to start. You can also do additional research on the works of Austrian Economists, the Founding Fathers, and other free market proponents.

You have tools at your disposal about which the Founding Fathers could never have even imagined! The power of the internet is incredible for disseminating ideas. Think of the potential impact you possess with social media to share such concepts as absolute truth vs. relative truth, the views of the Founding Fathers, and the economic liberty espoused by the Founders and Austrian Economists! You can join with thousands of other Americans who are fighting to promote the principles that made America the greatest Nation on earth!


Tech-savvy teenager

Americans have founded numerous organizations to oppose government infringements upon our economic freedom, and to promote individual liberty. For example, the Tea Party was formed in 2004 to fight government encroachments upon liberty. Their website, teaparty.org, states:

> *The Tea Party includes those who possess a strong belief in the foundational Judeo-Christian values embedded in our great founding documents… We serve as a beacon to the masses that have lost their way, a light illuminating the path to the original intentions of our Founding Fathers.*

Started initially to oppose ***draconian*** taxes and other abuses of power against free markets by the federal government, the Tea Party has embraced a wide-range of pro-Constitution issues.

Other organizations are available to increase your knowledge about economic policies. The following organizations represent only a few sources that endorse free enterprise and oppose collectivist economics. Use caution as you gather information from various sources. Be discrete as you apply the knowledge you gather.

Eagle Forum (founded 1972): "Eagle Forum's Mission is to enable conservative and pro-family men and women to participate in the process of <u>self-</u>

VOCABULARY

Draconian: sinister, intrusive

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government and public policy-making so that America will continue to be a land of individual liberty, respect for family integrity, public and private virtue, and private enterprise." (Source: eagleforum.org)

The Heritage Foundation (founded in 1973): "The Heritage Foundation is a research and educational institution—a think tank—whose mission is to formulate and promote conservative public policies based on the principles of free enterprise, limited government, individual freedom, traditional American values, and a strong national defense." (Source: heritage.org)

CATO Institute (founded in 1977): "The Cato Institute is a public policy research organization — a think tank – dedicated to the principles of individual liberty, limited government, free markets and peace." (Source: cato.org)

Citizens Against Government Waste (founded in 1984): "CAGW works to eliminate waste, fraud, abuse, and mismanagement in government through research and public education activities." (Source: cagw.org)

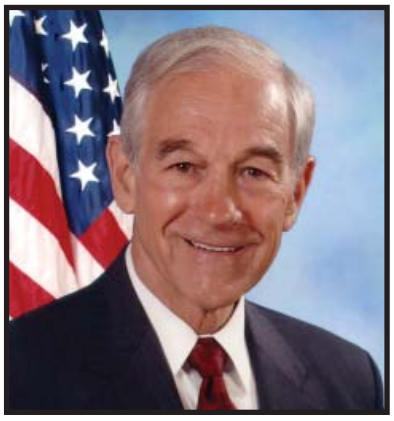
FreedomWorks (originally founded as Citizens for a Sound Economy in 1984): "For over a quarter century, FreedomWorks has identified, educated, and actuated citizens who are enthused about showing up to support free enterprise and constitutionally limited government." (Source: freedomworks.org)

Citizens United (founded in 1988): "Citizens United is an organization dedicated to restoring our government to citizens' control. Through a combination of education, advocacy, and grass roots organization, Citizens United seeks to reassert the traditional American values of limited government, freedom of enterprise, strong families, and national sovereignty and security." (Source: citizensunited.org)

As you can see, many people are working together to restore America to its founding principles! You live in exciting times! Thanks to technology, anyone can have a powerful impact on the direction the nation takes. You can play a role in steering America back to the principles upon which it was founded!

In the next chapter, you will learn some economic principles that will help you to manage your personal finances. By learning sound financial principles, you will have an even better understanding of the US economy and the role that you play.

LIFE PRINCIPLE:



"Liberty is lost through complacency and a subservient mindset."

-Congressman Ron Paul

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