## Adam Smith & Laissez-Faire

- Adam Smith = "Father of ______________________"
- Wrote *Wealth of Nations* (1776)
- Believed economies work best when individuals act in their own _____________________.
- Supported **laissez-faire** → French for "____________________."
- Means: government should have a __________ role in the economy.

### Video: Adam Smith - School of Life Theory

1. Smith wanted capitalism to be more ______________ and meaningful.
2. He believed specialization makes nations ______________, but can make jobs feel ______________.
3. Defended consumer capitalism: "luxury" creates ___________ to help the poor.
4. Thought the rich are motivated by ____________, not just money. → Governments should direct this toward __________ goals (schools, hospitals).
5. Believed capitalism should meet higher needs: education, __________ cities, rewarding social lives.
6. Warned: companies make what consumers ____________ → improving capitalism means educating consumers to want ____________ products.

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## The Free Market: Big Picture

- Markets exist so people can __________ what they have for what they want.
- A **free market** is a _______________________ system directed by individuals acting in their self-interest.

### Freedoms in a Free Market

- Private property rights
- Freedom of _____________
- Economic & political freedom
- Freedom of __________________ (like unions)

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## How the Free Market Works

### 1. Markets

- A market is where buyers and sellers __________________.

**2. Specialization**

- People focus on specific ___________ to be more efficient.
- Example: Doctors → perform surgeries; Teachers → ________________.

**3. Households and Firms**

- Households = ___________ (buyers)
- Firms = ___________ (sellers)

**4. Competition & Self-Interest**

- In all transactions, the motivating force is _____________.
- Consumers want lower ___________ (opportunity cost ↓).
- Sellers want higher ___________ (profit ↑).

**5. The Invisible Hand**

- Natural competition between consumers & sellers = the "______________________."
- Result: Products people want at prices close to the ___________ of producing them.

## How the Invisible Hand Works (Short Video)

A **market economy** = individuals own resources (land, labor, capital) and make voluntary decisions.

🎬 Two forces drive it:

1. **Self-interest** = the motivator of economic activity.
    - Example: The baker bakes bread to earn money for himself, but in the process he provides _____________ for others.
    - Self-interest does not necessarily mean being ___________ or immoral.
2. **Competition** = the regulator of economic activity.
    - Keeps self-interest in check → businesses must offer ___________ quality goods at ___________ prices.
    - Without competition, self-interest can lead to problems like price gouging or poor treatment of consumers.

Together, self-interest and competition form the "**______________________**" that guides resources to their most valued use.

Remember the quote at the start? Finish it - Smith explains: "It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own _______________________."