

# LESSON 1

## HOW HAS THE CONSTITUTION SHAPED THE ECONOMIC SYSTEM IN THE UNITED STATES?

### INTRODUCTION

Constitutions are economic documents as well as political documents. This is certainly true of the Constitution of the United States. Our nation's founders believed that economic freedom as well as political freedom are essential for national prosperity and growth. Accordingly, they included numerous provisions in the Constitution that support and encourage the operation of a market economy. Thus, as the basic "law of the land," the U.S. Constitution defines the essential features of our economy.

### CONCEPTS

Private Property  
Freedom of Enterprise and Choice  
Motive of Self-interest  
Competition  
Markets and Prices  
Limited Role of Government

### OBJECTIVES

- ◆ Describe the six basic characteristics of a market economy
- ◆ Identify some provisions of the U.S. Constitution that foster and support a market economy
- ◆ Match provisions in the Constitution with the basic characteristics of a market economy
- ◆ Contrast the economic provisions of the U.S. Constitution with the economic provisions of the Constitution of the People's Republic of China

### LESSON DESCRIPTION

Students provide their own examples of the six characteristics of a market economy as they exist in the United States today. Then they see how the U.S. Constitution supports those characteristics by reading relevant portions of the Constitution, and matching these provisions with the six characteristics of a market economy. The lesson concludes by having the students read and discuss relevant portions of the Constitution of the People's Republic of China. They then write essays contrasting the impact of the economic provisions of the two constitutions on the characteristics of each nation's economy.

### TIME REQUIRED

One class period.

### MATERIALS

- ★ One copy for each student of Activity 1, "Characteristics of a Market Economy"
- One copy for each student of Activity 2, "Economic Provisions in the U.S. Constitution"
- One copy for each student and a transparency of Activity 3, "Matching Provisions of the U.S. Constitution with Basic Characteristics of a Market Economy"
- One copy for each student of Activity 4, "Economic Provisions in the Constitution of The People's Republic of China"

### PROCEDURE

1. Distribute copies of Activity 1. Explain the meaning of each characteristic with an example, and then elicit additional examples from the class for each characteristic.
2. Explain to the class that the U.S. Constitution is an economic document as well as a political one. Distribute copies of Activity 2. Discuss the selected excerpts with the class, making sure the students understand the meaning of each by asking students to put them in their own terms.
3. Distribute copies of Activity 3. Display the transparency of Activity 3 for discussion and summary purposes. Divide the class into six groups by market economy characteristics. Have each group discuss the potential matches and come to a consensus.

★ all students—basic course material  
■ average and above average students  
○ average and below average students

4. Record the matches on the overhead display, eliciting discussion and agreement from the class as you do so, and reinforce the idea that the founders intended to have the Constitution protect and support a market economy.

5. Read to students The Preamble to the Constitution.

We the people of the United States, in order to form a more perfect Union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity, do ordain and establish this Constitution for the United States of America.

Write the phrase "promote the general welfare" on the chalkboard. Explain how this phrase has been used to justify government intervention in our market economy, for example: minimum wage laws, social security, unemployment compensation, and occupational safety regulations.

## **CLOSURE**

Distribute copies of Activity 4, "Economic Provisions in the Constitution of The People's Republic of China." After the students have read the copy, discuss with them how each economic provision in this document defines the economic role the government in China will play. As an out-of-class assignment, have each student write an essay explaining how the differing provisions in the two nation's constitutions can and have resulted in different types of economic freedoms and systems.

## ACTIVITY 1

**CHARACTERISTICS OF A MARKET ECONOMY**

Name \_\_\_\_\_

**PRIVATE PROPERTY**

Labor resources, natural resources, capital resources (e.g., equipment and buildings), and the goods and services produced in the economy are largely owned by private individuals and private institutions rather than by government. This private ownership combined with the freedom to negotiate legally binding contracts permits people, within very broad limits, to obtain and use resources as they choose.

**FREEDOM OF ENTERPRISE AND CHOICE**

Private entrepreneurs are free to obtain and organize resources in the production of goods and services and to sell them in markets of their choices. Consumers are at liberty to buy that collection of goods and services that best satisfies their economic wants. Workers are free to seek any jobs for which they are qualified.

**MOTIVE OF SELF-INTEREST**

The "Invisible Hand" that is the driving force in a market economy is each individual promoting his or her self-interest. Consumers aim to get the greatest satisfaction from their budgets; entrepreneurs try to achieve the highest profits for their firms; workers want the highest possible wages and salaries; and owners of property resources attempt to get the highest possible prices from the rent and sale of their resources.

**COMPETITION**

Economic rivalry means that buyers and sellers are free to enter or leave any market and that there are buyers and sellers acting independently in the marketplace. It is competition, not government regulation, that diffuses economic power and limits the potential abuse of that power by one economic unit against another as each attempts to further its own self-interest.

**SYSTEM OF MARKETS AND PRICES**

Markets are the basic coordinating mechanisms in our type of economy, not central planning by government. A market brings buyers and sellers of a particular good or service into contact with one another. The preferences of sellers and buyers are registered on the supply and demand sides of various markets, and the outcome of these choices is a system of product and resource prices. These prices are guideposts on which participants in markets make and revise their free choices in furthering their self-interests.

**LIMITED GOVERNMENT**

A competitive market economy promotes the efficient use of its resources. As a self-regulating and self-adjusting economy, no significant economic role for government is necessary. However, a number of limitations and undesirable outcomes associated with the market system result in an active, but limited economic role for government.

## ACTIVITY 2

**ECONOMIC PROVISIONS IN THE U.S. CONSTITUTION**

Name \_\_\_\_\_

**COMMERCE CLAUSE**

Article I, Section 8 states that Congress shall have the power "To regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes;..."

**COINAGE CLAUSES**

Article I, Section 8 states that Congress shall have the power "To coin Money, regulate the value thereof, ..." and "To provide for the Punishment of counterfeiting the Securities and current Coin of the United States;..." Article I, Section 10 gives Congress this power exclusively by stating that "No State shall...coin Money;..."

**COPYRIGHT CLAUSES**

Article I, Section 8 states that Congress shall have the power "To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writing and Discoveries;..."

**CONTRACT CLAUSES**

Article I, Section 9 states that "No Bill of Attainder or ex post facto Law shall be passed..." by Congress. Article I, Section 10 states that "No state shall...pass any Bill of Attainder, ex post facto Law, or Law impairing the Obligations of Contracts,..."

**EXPORT CLAUSES**

Article I, Section 9 states that "No Tax or Duty shall be laid on Articles exported from any State..." and Article I, Section 10 states that "No State shall without the Consent of the Congress, lay any Imposts or Duties on Imports or Exports,..."

**SEARCHES AND SEIZURES**

Amendment IV states that "The right of the people to be secure in their persons, houses, papers, and effects, against unreasonable searches and seizures, shall not be violated,..."

**DUE PROCESS**

Amendment V states that "No person shall...be deprived of life, liberty, or property, without due process of the law;..." and Amendment XIV, Section 1 states "nor shall any State deprive any person of life, liberty, or property, without due process of law;..."

**RESERVED RIGHTS AND POWERS**

Amendment IX states that "The enumeration in the Constitution, of certain rights, shall not be construed to deny or disparage others retained by the people." and Amendment X states "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people."

## ACTIVITY 3

# MATCHING PROVISIONS OF THE U.S. CONSTITUTION WITH BASIC CHARACTERISTICS OF A MARKET ECONOMY

Name \_\_\_\_\_

	Art.I sec.8	Art.I sec.9	Art.I sec.10	Amd. IV	Amd. V	Amd. IX	Amd. X	Amd. XIV
Private Property								
Freedom of Enterprise and Choice								
Motive of Self-interest								
Competition								
Markets and Prices								
Limited Government								

# SUGGESTED ANSWERS TO ACTIVITY 3

## MATCHING PROVISIONS OF THE U.S. CONSTITUTION WITH BASIC CHARACTERISTICS OF A MARKET ECONOMY

Name \_\_\_\_\_

	Art.I sec.8	Art.I sec.9	Art.I sec.10	Amd. IV	Amd. V	Amd. IX	Amd. X	Amd. XIV
Private Property	X	X	X	X	X			X
Freedom of Enterprise and Choice	X	X	X					
Motive of Self-interest	X							
Competition	X							
Markets and Prices	X							
Limited Government		X	X	X	X	X	X	X

## ACTIVITY 4

# ECONOMIC PROVISIONS IN THE CONSTITUTION OF THE PEOPLE'S REPUBLIC OF CHINA

Name \_\_\_\_\_

**Preamble**

"... the fundamental task of the state is, step by step, to bring about the socialist industrialization of the country and step by step, to accomplish the socialist transformation of agriculture, handicrafts and capitalist industry and commerce. ..."

and

"... the necessary conditions have been created for planned economic construction and gradual transition to socialism."

**CHAPTER ONE General Principles**

- Art. 5. "...basic forms of ownership of means of production exists in the People's Republic of China: state ownership...; co-operative ownership, that is a collective ownership..."
- Art. 6. "The state sector of the economy is a socialist sector,... It is the leading force in the national economy and the material basis on which the state carries out socialist transformation. The state ensures priority for the development of the state sector of the economy."
- Art. 8. "... the policy of the state towards rich-peasant economy is to restrict and gradually eliminate it."
- Art.10. "...the policy of the state towards capitalist industry and commerce is to use, restrict and transform them...gradually replacing capitalist ownership by the whole people;..."
- Art.13. " The state may... buy, requisition or nationalize land and other means of production..."
- Art. 14. "The state forbids any person to use his private property to the detriment of the public interest."
- Art. 15. "By economic planning, the state directs the growth and transformation of the national economy..."
- Art. 16. "Work is a matter of honor for every citizen of the People's Republic of China who is able to work."

**CHAPTER TWO The State Structure****Section I. The National People's Congress**

- Art. 27. "The national People's Congress exercises the following functions and powers:  
...(9) to decide on the national economic plans;..."

**Section III. The State Council**

- Art. 49. "The State Council exercises the following functions and powers:  
...(7) to put into effect the national economic plans...  
...(8) to control foreign and domestic trade;..."

**CHAPTER THREE Fundamental Rights and Duties of Citizens**

- Art. 91. "Citizens of the People's Republic of China have the right to work. To guarantee enjoyment of this right, the state, by planned development of the national economy, gradually creates more employment, and better working conditions and wages."