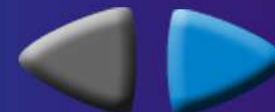


Benefits of Free Enterprise 3.1

- **What are the basic principles of the U.S. free enterprise system?**
- **What role does the consumer play in the system of free enterprise?**
- **What is the role of the government in the free enterprise system?**



The Basic Principles of Free Enterprise

Several key characteristics make up the basic principles of free enterprise.

1. Profit Motive

The drive for the improvement of material well-being.

2. Open opportunity

The ability for anyone to compete in the marketplace.

3. Legal equality

Equal rights to all.

4. Private property rights

The right to control your possessions as you wish.

5. Free contract

The right to decide what agreements in which you want to take part.

6. Voluntary exchange

The right to decide what and when you want to buy and sell a product.

7. Competition

The rivalry among sellers to attract consumers.



The Consumer's Role

A fundamental purpose of the free enterprise system is to give consumers the freedom to make their own economic choices.

Through their economic dealings with producers, consumers make their desires known. When buying products, they indicate to producers what to produce and how much to make.

Consumers can also make their desires known by joining interest groups, which are private organizations that try to persuade public officials to vote according to the interests of the groups' members.



The Government's Role

Americans expect the government to protect them from potential problems that arise from the production of various products or the products themselves.

Public Disclosure Laws

Laws that require companies to provide consumers with important information about their products, such as fuel efficiency of automobiles, side-effects of medication.

Public Interest

Both state and federal governments' involvement in concerns of the public as a whole, such as environmental protection, sanitary food production.



Section 1 Assessment

1. Americans generally favor
 - (a) strong government control of the economy.
 - (b) limited government intervention in the economy.
 - (c) no government intervention in the economy.
 - (d) government control of manufacturing only.
2. The basic principles of free enterprise do NOT include
 - (a) competition.
 - (b) legal equality.
 - (c) profit motive.
 - (d) checks and balances.

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Promoting Growth and Stability 3.2

- **How does the government track and seek to influence business cycles?**
- **How does the government try to promote economic strength?**
- **Why and how does the government encourage innovation?**

Tracking Business Cycles

- **Macroeconomics** is the study of the behavior and decision making of entire economies.
- A **business cycle** is a period of a macroeconomic expansion followed by a period of contraction.
- One measure of a nation's macroeconomy is **gross domestic product (GDP)**. GDP is the total value of all final goods and services produced in a particular economy.

Promoting Economic Strength

Policymakers pursue three main outcomes as they seek to stabilize the economy.

Employment

- One aim of federal economic policy is to provide jobs for everyone who is able to work.

Growth

- For each generation of Americans to do better than previous ones, the economy must grow to provide additional goods and services.

Stability

- Stability gives consumers, producers, and investors confidence in the economy and in our financial institutions, promoting economic freedom and growth.

Encouraging Innovation

The government encourages the development of new technologies in several ways. **Technology** is the process used to produce a good or service.

- Federal agencies fund many research and development projects. Also, new technology often evolves out of government research.
- A patent gives the inventor of a new product the exclusive right to produce and sell it for 20 years.

Section 2 Assessment

- 1. Policymakers encourage all of the following EXCEPT**
 - (a) stable productivity.**
 - (b) high employment.**
 - (c) stable prices.**
 - (d) steady growth.**
- 2. The government encourages advances in technology and improvements in productivity by**
 - (a) maintaining steady price controls.**
 - (b) funding research and development projects at many levels.**
 - (c) hiring more workers to reduce unemployment.**
 - (d) regulating banks and other financial institutions.**

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