

Economics 2-2

Evaluating Economic Performance



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ESSENTIAL QUESTION: What are the effects of government involvement in providing public goods and services, redistributing income from one group to another, protecting property rights, and resolving market failures?

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GPS STANDARDS:

SSEF5-

- a.) Explain why the government provides public goods and services, redistributes income, protects property rights, and resolves market failures.
- b.) Give examples of government regulation and deregulation and their effects on consumers and producers.

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The United States
government has at least
**seven major economic
goals.**



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The **seven major goals** of the **United States economy**:

1. economic freedom
2. economic efficiency
3. economic equity
4. economic security
5. full employment
6. price stability
7. economic growth

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- Every economic system has **goals** such as financial security and freedom to carry out economic choices.
- **Goals** are important because they serve as benchmarks that help us determine if the system meets most—if not all—of our needs.

If the system falls short, then we may demand laws to change the system until the needs are met.

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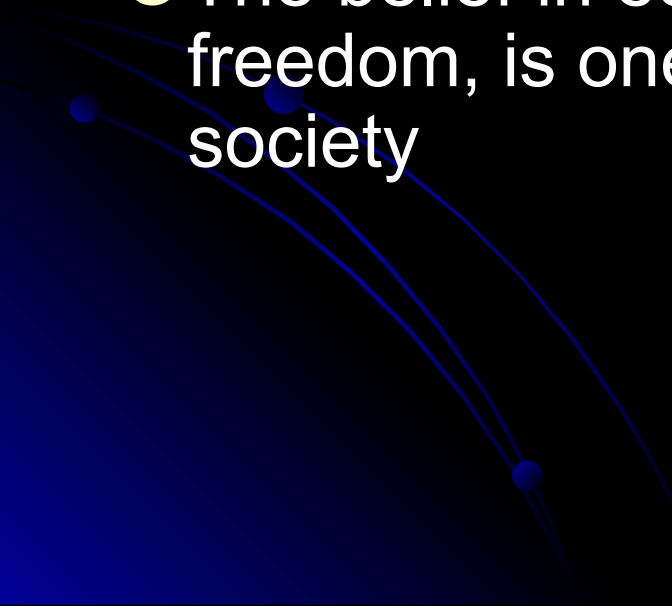
Economic freedom, or the freedom for people to make their own economic decisions, is a goal highly valued in the United States.

⑩ In the United States, people place a high value on the freedom to make their own economic decisions

⑩ People like to choose their own occupations, employers, banks, health care insurance, etc.

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Economic freedom

- ⑩ Business owners like the freedom to choose where and how they produce goods
 - ⑩ The belief in economic freedom, like political freedom, is one of the cornerstones of American society
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Economic efficiency means that resources are used wisely and that the benefits gained are greater than the costs incurred.

- ⑩ If resources are wasted, fewer goods and services can be produced and fewer wants and needs of the people can be satisfied
- ⑩ Economic decision making must be efficient so that the benefits gained are greater than the costs of production of goods and services

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Economic equity is the social goal that explains why so many people support laws against wage and job discrimination.

- ⑩ Americans have a strong sense of justice, impartiality and fairness
- ⑩ Many people believe in equal pay for equal work
- ⑩ It is illegal to discriminate on the basis of age, sex, race, religion, or disability in employment

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Economic equity

⑩ When it comes to selling products, most people feel that advertisers should not be allowed to make false claims about their products

• ⑩ Health supplement companies often make such claims



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Economic security is a social goal that results in programs to help support the ill, the elderly, and workers who have lost their jobs.

- ⑩ Americans want protection from detrimental economic events such as personal illness or job loss during a recession

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Economic security

⑩ Many employers have insurance plans to cover the injuries and illnesses of their workers

- ⑩ In the 1930's, Congress established **Social Security** as a federal program of disability and retirement benefits that covers most working people

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Economic security

- ⑩ About 90% of workers participate in the social security program
- ⑩ In the 1960's, **Medicare** is another program which provides economic security by providing health insurance for people 65 years of age and older

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Full employment Most economic systems strive for providing as many jobs as possible.

- ⑩ During a recession, the United States government will often spend money to try to stimulate the economy and promote job growth

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⑩ Economic growth is an important goal because populations tend to increase and existing populations tend to want more goods and services.

- ⑩ The United States government promotes economic growth to help raise the standard of living for the people

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Economic growth

Economic growth raises the standard of living for the people by allowing more people to have:

- ⑩ a better job
- ⑩ a newer car
- ⑩ better clothes
- ⑩ a home of their own
- ⑩ prepare for the future

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Price stability, or freedom from inflation, is important to anyone trying to provide basic necessities on a limited income and for anyone planning their economic future.

⑩ However, economic growth often leads to inflation.

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Price stability

- ⑩ “Inflation” is a rise in the general level of prices.
- ⑩ The reason is because when prices rise and incomes do not rise it makes life financially difficult for everyone except for the very rich.
- ⑩ When inflation occurs, workers need more money to pay for food, clothing, and housing.