

GUIDED READING Activity 2-3

For use with textbook pages 46-51

C APITALISM AND ECONOMIC FREEDOM

FILLING IN THE BLANKS

Directions: Use your textbook to fill in the blanks using the words in the box. Some words may be used more than once. Use another sheet of paper if necessary.

economic freedom profit competition modified private enterprise economy	voluntary exchange consumer sovereignty capitalism	free enterprise profit motive private property rights mixed economy
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Introduction/Competition and Free Enterprise

A market economy is normally based on **1** _____, a system in which private citizens, many of whom are entrepreneurs, own the factors of production. Another term for it is **2** _____, because it operates with a minimum of government interference. One characteristic of this kind of economy is **3** _____, which allows people to choose to have their own businesses or work for someone else. Businesses are free to choose what they will produce and to hire the best workers.

Another characteristic is **4** _____, the act of buyers and sellers freely and willingly engaging in market transactions that leave both buyer and seller better off. Another major feature of the market economy is **5** _____, the privilege that entitles people to own and control their possessions. The extent to which people or organizations are better off at the end of a period than they were at the beginning is **6** _____. The **7** _____ is the driving force that encourages people and organizations to improve their material well-being. Finally, **8** _____ thrives on **9** _____, which is the struggle among sellers to attract consumers while lowering costs.

The Role of the Entrepreneur

The entrepreneur's role is to start new businesses and take risks. They are the sparkplugs of a **10** _____ economy. When entrepreneurs are successful, many benefit.

The Role of the Consumer

In the United States, consumers have power in the economy because they determine which products are produced. The term **11** _____ is another way of saying that the customer is always right. Consumers "vote" with their dollars; that is, they have a say in what is and what is not produced.

The Role of Government

The government's involvement in the economy reflects people's desire to modify the economic system. The result is a **12** _____, or **13** _____, one in which people carry on their economic affairs freely but are subject to some government intervention and regulation.

GUIDED READING Activity 2-2

For use with textbook pages 41–44

EVALUATING ECONOMIC PERFORMANCE

OUTLINING

Directions: Locate the following headings in your textbook. Then use the information under the headings to help you write each answer. Use another sheet of paper if necessary.

I. Economic and Social Goals

A. Introduction

1. What are two kinds of goals people may share? _____
2. How many major kinds of goals are there? _____

B. Economic Freedom

1. What are three examples of economic freedom for individuals?

2. What kind of economic freedom do business owners want? _____

C. Economic Efficiency

1. What happens if resources are wasted? _____
2. Why must economic decision making be efficient? _____

D. Economic Equity

1. What are two examples of economic equity? _____
2. What is a "lemon law"? _____

E. Economic Security

1. What do American workers want protection from? _____
2. What kind of protection does Social Security offer? _____

F. Full Employment

1. What happens when people work? _____
2. What happens when people do not have jobs? _____

G. Price Stability

1. What is inflation? _____
2. What happens to people on fixed incomes when there is inflation?

H. Economic Growth—Why is economic growth needed as a population grows?

II. Trade-Offs Among Goals

- A. What is the opportunity cost of a policy of protecting a domestic industry, such as shoe manufacturers?

- B. What is the trade-off in increasing the minimum wage? _____

GUIDED READING Activity 2-1

For use with textbook pages 33–39

ECONOMIC SYSTEMS

RECALLING THE FACTS

Directions: Use the information in your textbook to answer the questions. Use another sheet of paper if necessary.

1. Define the term *economic system*.

2. Describe each type of economic system. Then briefly state its major advantages and disadvantages.

a. Traditional economy _____

Advantages:

Disadvantages:

b. Command economy _____

Advantages:

Disadvantages:

c. Market economy _____

Advantages:

Disadvantages:
