

GUIDED READING Activity 2-3

For use with textbook pages 46-51

CAPITALISM 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	voluntary exchange	free enterprise
profit	consumer sovereignty	profit motive
competition	capitalism	private property rights
modified private enterprise economy		mixed economy

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 3-1

For use with textbook pages 57–66

FORMS OF BUSINESS ORGANIZATION

RECALLING THE FACTS

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

1. What are the advantages and disadvantages of a sole proprietorship?

Advantages:

Disadvantages:

2. What is the difference between a general partnership and a limited partnership?

3. What is bankruptcy?

4. What are the advantages and disadvantages of a corporation?

Advantages:

Disadvantages:

5. Explain the connection between a bond, principal, and interest.

Economics: Principles in Action
Chapter 3

