

CHAPTER 3 SECTION 1	GUIDED READING AND REVIEW Benefits of Free Enterprise	2
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As You Read

Directions: As you read Section 1, answer the following questions.

Use complete sentences. Then apply your knowledge to the

Guiding Question:

? What are the benefits of free enterprise?

1. What are four key characteristics of the free enterprise system?

Profit Motive; Legal Equality (open opportunity);
Private Property Rights; Voluntary Exchange

2. What are two things consumers can do to express their wishes?

Join Interest Group
Purchase items you want

3. What are two ways the Constitution protects economic freedom?

Protect private property rights
Protect right to enter contracts

4. What are two ways the government protects the public interest?

Require public disclosure ex: on product packaging
Pass laws to protect us; FDA; CPSC ^{oversight}
Product Safety

Reviewing Key Terms

Directions: Define each term. Use complete sentences.

5. private property rights Right to do what you want to with
your possessions.

6. legal equality All have same legal rights

7. eminent domain take your ~~profit~~ property for public use
provided you are adequately paid for it.

CHAPTER
3
SECTION 1

QUIZ A

Benefits of Free Enterprise

3

A. Key Terms and Concepts

Directions: Complete each statement with the correct term from this section.

1. People who want to exert influence on policymakers may form an interest group.
2. Americans expect their government to set economic policy that promotes the public interest.
3. Congress passed public disclosure laws that require companies to inform consumers about the products they sell.
4. The right of voluntary exchange allows people to buy or sell what they choose.
5. The government may take private property by eminent domain, but it must compensate owners.
6. A woman has the right of free contract, so she can sign an agreement with her employer to work for one year.

B. Main Ideas

Directions: Write the letter of the correct answer in the blank provided.

- G 7. Why has America been referred to as the "land of opportunity"?
 - a. It provides anyone the possibility of success through hard work.
 - b. It provides jobs for all citizens.
 - c. It provides farmers farmland without levying taxes on the land.
 - d. It provides money for all citizens.
- C 8. What basic principles are fundamental to American free enterprise?
 - a. state-owned property, contracts, voluntary exchange, self-interest
 - b. economic freedom, private property, protection from competition
 - c. open opportunity, private property, contracts, voluntary exchange
 - d. economic freedom, private property, mandatory exchange
- g 9. In what way does the Bill of Rights protect individuals' freedom to engage in business activities?
 - a. It recognizes property rights.
 - b. It denies the government the ability to regulate commerce.
 - c. It provides free contracts.
 - d. It provides each industry with a competitive edge.
- d 10. What is often considered a negative effect of government regulations?
 - a. They cut into company profits.
 - b. They stifle competition.
 - c. They cause higher prices for consumers.
 - d. All of the above.

CHAPTER
3
SECTION 2

GUIDED READING AND REVIEW
Promoting Growth and Stability **2**

As You Read

Directions: As you read Section 2, fill in the blanks to complete each sentence. Then apply your knowledge to the Guiding Question:

? **How does the U.S. government encourage growth and stability?**

1. The two main branches of economics are Micro Economics and Macro Economics.
2. One way of looking at the economy as a whole is to study the GDP ; currently about \$17 trillion.
3. The government has three goals as it tries to strengthen the economy: ① High employment current target 4.5% unemployment rate actual 4.7%, ② growth @ 2% target actually 1.7%, and ③ Stable prices inflation below 1.5%
4. To help economic growth, the government cut taxes ; increase spending or both.
5. One important way to increase productivity is to improve technology.
6. The government encourages innovation by granting patents and copy rights.

Reviewing Key Terms

Directions: Match the bold definitions to their terms.

7. Ups and downs of GDP show economic expansion and contraction. Business Cycle
8. Innovation often leads to products becoming out of date. obsolete
9. Americans' commitment to labor results in high productivity. ethics

Terms	
•	work ethic
•	obsolescence
•	business cycle

CHAPTER 3
SECTION 2

QUIZ A

Promoting Growth and Stability **3**

A. Key Terms and Concepts

Directions: Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

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|--|---|
| <p><u> c </u> 1. a period of macroeconomic expansion followed by a period of contraction</p> <p><u> b </u> 2. the study of the economic behavior of small units, such as individuals, families, and businesses</p> <p><u> e </u> 3. the process used to produce a good or service</p> <p><u> f </u> 4. the process by which older products and processes become out of date</p> <p><u> g </u> 5. the study of the behavior and decision making of entire economies</p> <p><u> d </u> 6. the total value of all final goods and services produced in a particular economy in a year</p> | <p>a. macroeconomics</p> <p>b. microeconomics</p> <p>c. business cycle</p> <p>d. gross domestic product (GDP)</p> <p>e. technology</p> <p>f. obsolescence</p> <p>g. referendum</p> <p>h. patent</p> |
|--|---|

B. Main Ideas

Directions: Write the letter of the correct answer in the blank provided.

- d 7. Business cycles occur in free enterprise systems because
- | | |
|---|---|
| a. government policy creates cycles. | c. the standard of living is very high. |
| b. the efficiency of workers is not the same from season to season, but fluctuates on a regular basis annually. | d. economic decisions about factors such as prices, production, and consumption are determined by the market. |
- c 8. The federal government monitors and regulates American banks and other financial institutions
- | | |
|---|---|
| a. to improve the standard of living for all. | c. to shield money from the damaging effects of economic downturns. |
| b. to keep control over the economy. | d. to keep prices stable. |
- g 9. Policymakers pursue all of the following goals to stabilize the economy *except*
- | | |
|-------------------------|-------------------|
| a. high unemployment. | c. stable prices. |
| b. stable productivity. | d. steady growth. |
- d 10. Improved technology helps create a higher standard of living for future generations by
- | |
|---|
| a. preventing drastic shifts in general price levels. |
| b. creating specialized jobs for workers. |
| c. reducing the number of unemployed workers |
| d. providing additional goods and services. |

CHAPTER 3
SECTION 3
GUIDED READING AND REVIEW
Providing Public Goods **2**

As You Read

Directions: As you read Section 3, answer the questions under each main idea below. Use complete sentences. Then apply your knowledge to the Guiding Question:

? **Why does a society provide public goods?**

Main Idea: The free market is not the best way to provide certain goods and services.

1. What is a public good? What are two examples of public goods?
Shared good or service; funded by tax dollars
Roads, bridges, schools, airports

Main Idea: There are costs and benefits when the government provides a public good.

2. When the government builds roads, what is the benefit? → transportation
 What is the cost? actual \$ in taxes; opportunity cost: can't use land for anything else

Main Idea: A good or service can have positive or negative economic side effects, called externalities.

3. What is an example of a positive externality? special jobs, tax \$
 4. What is an example of a negative externality? pollution; noise, crime

Reviewing Key Terms

Directions: Define each term. Use complete sentences.

5. public sector Government paid for services + goods (thru taxes)
 6. free rider someone who doesn't pay to use a public good
 7. market failure market fails to distribute goods + services or goods.

CHAPTER 3
SECTION 3
QUIZ A
Providing Public Goods
3

A. Key Terms and Concepts

Directions: Complete each statement with the correct term from this section.

1. Public goods are financed by the taxes.
2. ~~A public good is~~ an example of a public goods. → School; Road
3. A positive side effect of a public or private good is called a positive externality.
4. Someone who does not pay for a good or service but benefits from it anyway is called a free rider.
5. A bridge is an example of something that is usually provided as a public good.
6. The part of the economy that involves transactions between individuals and businesses is the private sector.

B. Main Ideas

Directions: Write the letter of the correct answer in the blank provided.

- a 7. What is critical in determining whether something is produced as a public good?

a. whether the market has the resources to provide it	c. whether the government needs to use tax money to provide it
b. whether the benefits to society are greater than the total cost	d. whether the benefits are limited to the poor
- b 8. How do public goods demonstrate the limitations of a free market economy?

a. They allow consumers to make all of the economic decisions.	c. They allow governments to control most economic decisions.
b. They allow government to make some economic decisions.	d. They prevent consumers from making economic decisions.
- 9 9. What is the government's role in controlling externalities in the American economy?
 - a. Government tries to encourage positive and limit negative externalities.
 - b. Government tries to limit all externalities to stop market failures.
 - c. Government tries to limit positive and encourage negative externalities.
 - d. Government tries to encourage all externalities to increase competition.
- c 10. If a student volunteers at a nursing home after school, which of the following might be a negative externality?
 - a. A student might volunteer to spend more time with the residents.
 - b. A student might learn a new skill.
 - c. A student might be unable to work at a part-time job on that afternoon.
 - d. A student would feel good about herself.

CHAPTER 3
SECTION 4
GUIDED READING AND REVIEW
Providing a Safety Net **2**

As You Read

Directions: As you read Section 4, fill in the blanks to complete each sentence. Then apply your knowledge to the Guiding Question:

? **How does government help the poor?**

1. The government tries to provide a Safety
Net to help people who fall into poverty.
2. The goal of Temporary Assistance for Needy Families (TANF) is to get people off welfare and into the Workforce.
3. Most of the people who receive Social Security are retired.
4. Unemployment insurance provides temporary help to workers who have lost their jobs.
5. IN-KIND benefits include food giveaways, food stamps, subsidized Housing, and legal aid.
6. Federal law reduces taxes on charitable to charity.

Reviewing Key Terms

Directions: Circle the closest meaning of the bold word in the sentences below.

7. The government gives **grants** to organizations that provide social services.
 a. fund b. gifts c. permits
8. People below the poverty **threshold** cannot support themselves.
 a. beginning b. doorstep c. limit
9. The government tries to fight poverty by providing **welfare**.
 a. health b. aid c. reform

CHAPTER 3 SECTION 4 QUIZ A Providing a Safety Net 3

A. Key Terms and Concepts

Directions: Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

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|----------|--|---------------------------|
| <u>C</u> | 1. an income level below that which is needed to support a household | a. standard of living |
| <u>d</u> | 2. direct payments of money to eligible poor, disabled, or retired people | b. redistribution |
| <u>g</u> | 3. level of economic well-being | c. poverty threshold |
| <u>e</u> | 4. goods and services provided for free or at greatly reduced prices | d. cash transfers |
| <u>h</u> | 5. government aid to the poor | e. in-kind benefits |
| <u>f</u> | 6. a financial award given by government to a private individual or group to carry out a specific task | f. grant |
| | | g. unemployment insurance |
| | | h. welfare |

B. Main Ideas

Directions: Write the letter of the correct answer in the blank provided.

- C 7. Various federal, state, and local government programs help raise people's standard of living because
- a. people living in areas of poverty cannot afford to pay their taxes.
 - b. people want the government to intervene in the market.
 - c. certain groups of people have fewer opportunities to be productive.
 - d. people expect to maintain a high standard of living.
- b 8. The most common in-kind benefits are
- a. coupons, food stamps, subsidized housing, and legal aid.
 - b. food giveaways, food stamps, subsidized housing, and legal aid.
 - c. food giveaways, food stamps, housing reimbursements, and legal aid.
 - d. food giveaways, food stamps, subsidized housing, and tuition reimbursements.
- a 9. Health insurance for the elderly, the poor, and the disabled is provided by
- a. Medicare and Medicaid.
 - b. the unemployment insurance program.
 - c. workers' compensation.
 - d. TANF.
- g 10. Education programs make the economy more productive by
- a. adding to human capital and labor productivity.
 - b. providing more jobs to educators.
 - c. reducing payments to unemployed people.
 - d. reducing injuries on the job.