

PRESENTATION

Plus!

Economics

Today and Tomorrow

CHAPTER 2

Economic
Systems and
the American
Economy





CHAPTER FOCUS

SECTION 1 Economic Systems

SECTION 2 Characteristics of the American Economy

SECTION 3 The Goals of the Nation

CHAPTER SUMMARY

CHAPTER ASSESSMENT

Click a hyperlink to go to the corresponding section.
Press the ESC key at any time to exit the presentation.



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Why It's Important

Why do we, as American consumers, have so many choices? How is our economy different from the economies of other countries? This chapter will explain the different kinds of economic systems.

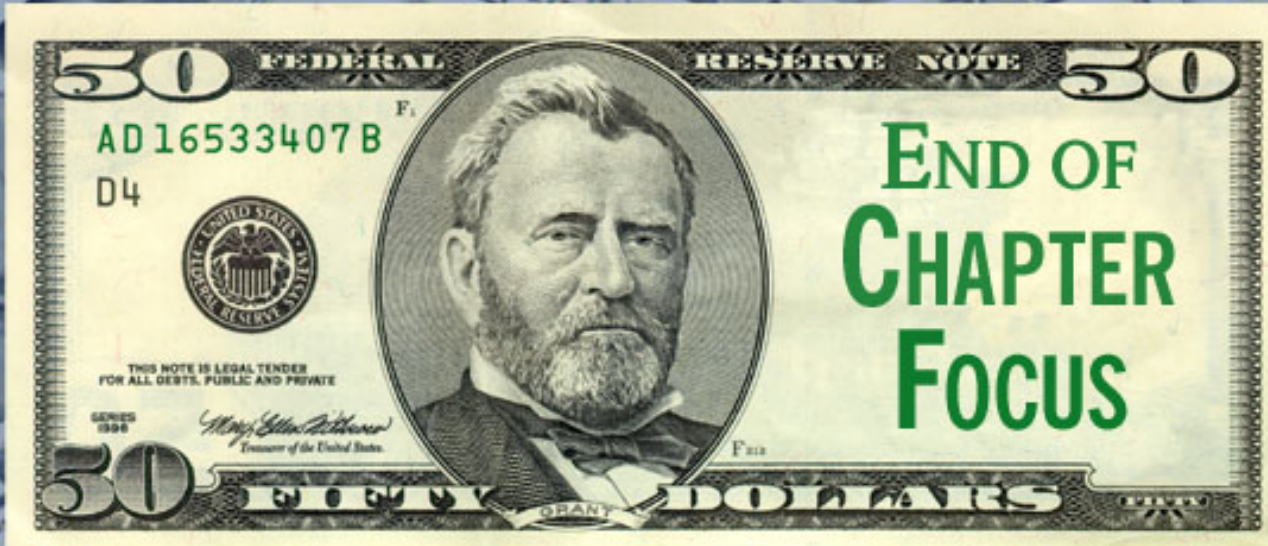
Click the Speaker button to listen to Why It's Important.





Chapter Overview

Chapter 2 explains or describes how economic systems answer basic questions about production and distribution of goods and services, how economic systems differ, and what constitutes the major characteristics of the United States market economy.



Click the mouse button to return to the Contents slide.





Reader's Guide

Section Overview

Section 1 explains or describes the three basic questions that define the major economic systems and the concepts of traditional, command, market, and mixed economies. ↓

Objectives

- What three questions must all economic systems answer? ↓
- What are the major types of economic systems and their differences?

Click the mouse button or press the Space Bar to display the information. Section 1 begins on page 30 of your textbook.



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Reader's Guide (cont.)

Terms to Know

- economic system ↓
- traditional economy ↓
- command economy ↓
- market economy ↓
- market ↓
- circular flow of economic activity ↓
- mixed economy

Click the Speaker button to
listen to the Cover Story.

Click the mouse button or press the Space Bar to display the
information. Section 1 begins on page 30 of your textbook.



Introduction

- People who live in different parts of the world may have different personal goals because of the different economic systems of their various communities or nations. ↓
- An **economic system** is a way of determining how to use resources to satisfy people's wants and needs. ↓
- There are different kinds of economic systems in the world.

economic system

way in which a nation uses its resources to satisfy its people's needs and wants



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Three Basic Questions

- Although nations will have different economic systems, each system must answer the same three basic questions: ↓
 - What goods and services should be produced? ↓
 - How should they be produced? ↓
 - Who should share in what is produced?

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What Should Be Produced?

- We live in a world of scarcity and trade-offs. ↓
- If more of one particular item is produced, then less of something else will be produced.

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to display the information.



How Should It Be Produced?

- After deciding what to produce, an economic system must then decide *how* those goods and services will be produced. ↓
- A decision must be made as to how the combination of available inputs will get the job done for the least cost.



For Whom Should It Be Produced?


- After goods or services are produced, the type of economic system under which people live determines how the goods and services will be distributed among its members. ↓
- Most goods and services in the United States are distributed to individuals and businesses through a price system.



For Whom Should It Be Produced? (cont.)

- Other economies may distribute products through... ↓
 - majority rule. ↓
 - a lottery. ↓
 - a first-come first-served basis. ↓
 - sharing equally. ↓
 - military force. ↓
 - a variety of other ways.



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Types of Economic Systems

- Economists have identified four types of economic systems: ↓
 - traditional ↓
 - command (controlled) ↓
 - market (capitalist) ↓
 - mixed ↓
- These economic systems differ from one another based on how they answer the three basic questions of what, how, and for whom to produce.

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Types of Economic Systems (cont.)

- The four systems described here are theoretical representations of economies found throughout the world. ↓
- No “pure” systems really exist—they are all mixed economies to some degree.



Traditional System

- A pure **traditional economy** answers the three basic questions according to tradition. ↓
- Things are done “the way they have always been done.” ↓
- Economic decisions are based on customs and beliefs—often religious—handed down from generation to generation.

traditional economy

system in which economic decisions are based on customs and beliefs that

have been handed down from generation to generation



Traditional System (cont.)

- If you lived in a traditional economic system, your parents would teach you to perform the same tasks that they learned from their parents. ↓
- An advantage of living in a traditional economy is that you know what is expected of you. ↓
- Family and community ties are usually very strong. ↓
- Disadvantages include an economy in which change is discouraged and perhaps even punished.

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Traditional System (cont.)

- The methods of production are often inefficient. ↓
- Choices among consumer goods are rare. ↓
- Traditional economies exist to some extent in very limited parts of the world today: ↓
 - the Inuit of North America ↓
 - the San of the Kalahari in Africa ↓
 - the Aborigines of Australia

Command System

- The pure **command economy** is somewhat similar to the traditional economy in that the individual has little, if any, influence over how the basic economic questions are answered. ↓
- The government may be one person, a small group of leaders, or a group of central planners in an agency.

command economy

system in which the government controls the factors of production and

makes all decisions about their use



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Command System (cont.)

- These people choose what is to be produced and how resources are to be used at each stage in production. ↓
- They also decide how goods and services will be distributed. ↓
- An advantage of a controlled economy is the speed with which resources can be rerouted. ↓
- Disadvantages include a lack of incentives to work hard or to show inventiveness, as well as a lack of consumer choices.

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Command System (cont.)

- Because the government sets workers' salaries, there is no reason to work efficiently or smartly. ↓
- Only a few countries in the world today still have much of a command economy. ↓
- North Korea and the People's Republic of China are the two main examples because so much economic activity there is government-planned.



Market System

- The opposite of a pure command economy is a pure **market economy**—also called capitalism. ↓
- In a market system, economic decisions are not made by government but by individuals looking out for their own and their families' best interests.

market economy

system in which individuals own the factors of production and make economic decisions

through free interaction while looking out for their own and their families' best interests



Market System (cont.)

- A limited government makes it possible for individuals to decide for themselves the answers to the three basic questions. ↓
- Individuals own the factors of production and therefore choose what to produce and how to produce it. ↓
- Individuals also choose what to buy with the income received from selling their labor and other resources. ↓
- These choices are guided by information in the form of market prices.





Market System (cont.)

- A **market** is not necessarily a place but the *voluntary exchange* of goods and services between buyers and sellers. ↓
- Prices in a market coordinate the interaction between buyers and sellers. ↓
- As prices change, they act as signals to everyone within the system as to what should be bought and what should be produced.

market

free chosen activity between goods and services
buyers and sellers of

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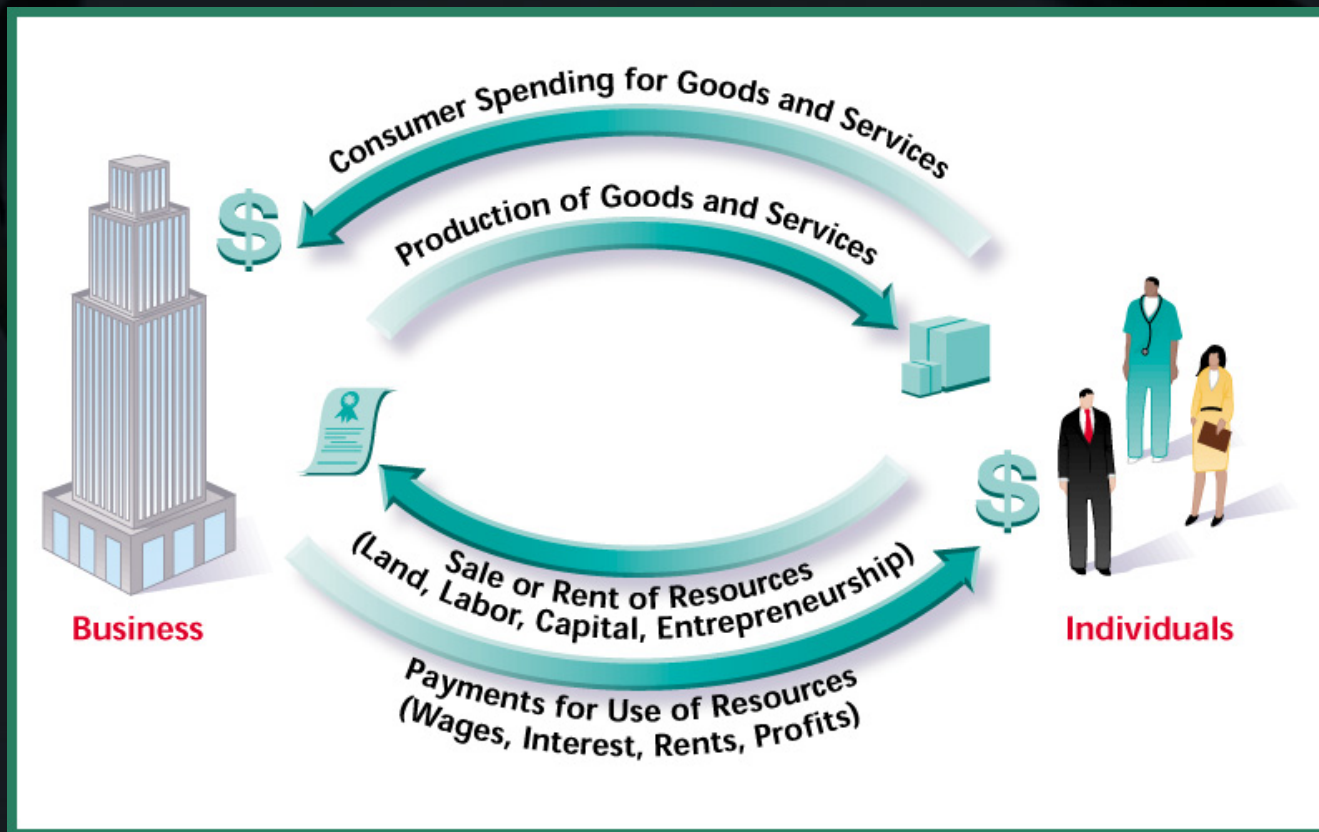
Market System (cont.)

- A high price for a good generally means that it is relatively scarce. ↓
- A low price suggests that it is relatively abundant. ↓
- The freedom of prices to rise and fall results in a neutral, self-organizing, incentive-driven system. ↓
- The flow of resources, goods and services, and money in a market system is actually circular.



Market System (cont.)

Figure 2.5
Circular Flow





Market System (cont.)

- Economists use this model, called a **circular flow of economic activity**, to illustrate how the market system works. ↓
- Dollars flow from businesses to individuals and back to businesses again. ↓
- The factors of production flow from individuals to businesses, which use them to produce goods and services that flow back to individuals.

circular flow of economic activity

economic model that pictures income a flowing continuously between businesses and consumers

Market System (cont.)

- The circular flow works because the information needed for its operation is scattered among all participants in the economy. ↓
- One advantage of a pure market system is that people have the freedom to... ↓
 - choose a career. ↓
 - choose how to use their income. ↓
 - own private property. ↓
 - take risks and earn profits.



Market System (cont.)

- The existence of competition provides consumers in a market economy with a wide array of goods and services from which to choose, as well as an efficient system of determining how much they cost. ↓
- One disadvantage of a pure market system involves concern about those too young, too old, or too sick to work.



Market System (cont.)

- Many fear that survival for these people would be difficult unless the government, churches, family members, or other organizations stepped in to provide goods and services.

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Mixed System

- A **mixed economy** combines basic elements of a pure market economy and a command economy. ↓
- Most countries of the world have a mixed economy in which private ownership of property and individual decision making are combined with government intervention and regulations.

mixed economy

system combining characteristics of more than one type of economy



Mixed System (cont.)

- In the United States, most decisions are made by individuals reacting as participants within the market. ↓
- However, federal, state, and local governments make laws protecting private property and regulating certain areas of business. ↓
- The amount of involvement in allocating scarce resources also determines a society's economic system.



Section Assessment

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Q What three questions must all economic systems answer?

A What should be produced? How should it be produced? For whom should it be produced?

Click the mouse button or press the Space Bar
to display the answer.

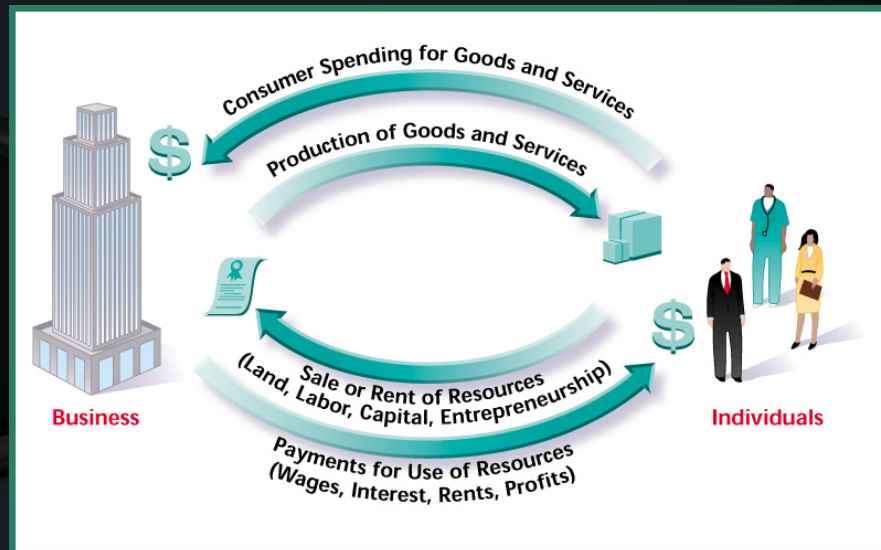


Section Assessment (cont.)



Q **Synthesizing Information** Using Figure 2.5 as a base, make a circular flow of economic activity reflecting your own life. Replace the general information shown on Figure 2.5 with detailed specifics about your income and items you purchase.

**Figure 2.5
Circular Flow**



Section Close

Prepare a two-minute oral report on which of the economic systems you would like to live in and why.

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Reader's Guide

Section Overview

Section 2 explains or describes the major components of a market economic system and how they apply to the American free enterprise system. ↓

Objectives

- What is the role of government in our free enterprise economy? ↓
- How do freedom of enterprise and freedom of choice apply to the American economy? ↓
- What roles do private property, the profit incentive, and competition play in the American economy?

Click the mouse button or press the Space Bar to display the information. Section 2 begins on page 40 of your textbook.



Reader's Guide (cont.)

Terms to Know

- capitalism ↴
- laissez-faire ↴
- free enterprise system ↴
- profit ↴
- profit incentive ↴
- private property ↴
- competition

Click the Speaker button
to listen to the Cover
Story.





Introduction

- A pure market economic system has six major characteristics: ↓
 - little or no government control ↓
 - freedom of enterprise ↓
 - freedom of choice ↓
 - private property ↓
 - the profit incentive ↓
 - competition

Click the mouse button or press the Space Bar
to display the information.





Limited Role of Government

- In his book, *An Inquiry into the Nature and Causes of the Wealth of Nations*, economist Adam Smith in 1776 described a system in which government has little to do with a nation's economic system. ↓
- He said that individuals left on their own would work for their own self-interest. ↓
- In doing so, they would be guided as if by an “invisible hand” to use resources efficiently and thus achieve the maximum good for society.

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to display the information.





Limited Role of Government (cont.)

- Smith's version of the ideal economic system is called **capitalism**, another name for the market system. ↓
- Pure capitalism has also been called a **laissez-faire** system. ↓
- The French term means "let [people] do as they choose."

capitalism

economic system in which private individuals own the factors of production and decide how to use them within legislated limits

laissez-faire

economic system in which the government minimizes its interference with the economy

Click the mouse button or press the Space Bar to display the information.





Limited Role of Government (cont.)

- A pure capitalist system is one in which the government lets people and businesses make their own economic decisions without government constraints. ↓
- Capitalism as practiced in the United States today would be best defined as an economic system in which private individuals own the factors of production but decide how to use them within legislated limits.

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to display the information.





Limited Role of Government (cont.)

- Smith's ideas influenced the Founders of the United States, who limited the role of government mainly to national defense and keeping the peace. ↓
- Since the 1880s, however, the role of government—federal, state, and local—has increased significantly.

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Limited Role of Government (cont.)

- Federal agencies... ↓
 - regulate the quality of various foods and drugs. ↓
 - watch over the nation's money and banking. ↓
 - inspect workplaces for hazardous conditions. ↓
 - guard against damage to the environment. ↓
 - use tax money to provide social programs such as Social Security and Medicare.



Limited Role of Government (cont.)

- State and local governments have expanded their roles in such areas as... ↓
 - education. ↓
 - job training. ↓
 - recreation. ↓
 - care for the elderly.

Click the mouse button or press the Space Bar
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Freedom of Enterprise

- The American economy is called a **free enterprise system**, as well as a capitalist one. ↓
- This term emphasizes that individuals are free to own and control the factors of production. ↓
- You may become rich or lose money, because you—or any entrepreneur—have no guarantee of success.

free enterprise system

economic system in which individuals own the factors of production and decide how to

use them within legal limits; same as capitalism



Freedom of Enterprise (cont.)

- The government places certain legal restrictions on freedom of enterprise: ↓
 - zoning regulations ↓
 - child-labor laws ↓
 - hazardous waste disposal ↓
- These and other regulations limit free enterprise to protect you *and* your neighbors.



Freedom of Choice

- Freedom of choice is the other side of freedom of enterprise. ↓
- It means that buyers, not sellers, make the decisions about what should be produced. ↓
- The success or failure of a good or service in the marketplace depends on individuals freely choosing what they want to buy. ↓
- Although buyers are free to make choices, the marketplace has become increasingly complex.

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Freedom of Choice (cont.)

- The government has intervened in various areas of the economy to protect buyers. ↓
- Laws set safety standards for such things as toys, electric appliances, and automobiles. ↓
- In industries dominated by just a few companies—such as public utilities selling natural gas or electricity—the government regulates the prices they may charge.



Profit Incentive

- When a person invests time, know-how, money, and other capital resources in a business, that investment is made with the idea of making a **profit**. ↓
- The desire to make a profit is called the **profit incentive**.

profit

money left after all the costs of production—wages, rents, interest, and taxes—have been paid

profit incentive

desire to make money that motivates people to produce and sell goods and services

Click the mouse button or press the Space Bar to display the information.





Profit Incentive (cont.)

- It is mainly this desire that motivates entrepreneurs to establish new businesses and produce new kinds of goods and services. ↓
- The risk of failing is also part of the free enterprise system.

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Profit Incentive (cont.)

- When profits are not realized and businesses fail, the losses are a signal to move resources elsewhere. ↓
- The interaction of both profits and losses leads to an economy that is more efficient, adaptable to change, and continuously growing.

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to display the information.





Private Property

- One of the most important characteristics of capitalism is the existence of **private property**. ↓
- You as an individual are free to buy whatever you can afford. ↓
- You can also control how, when, and by whom your property is used.

private property

whatever is owned by individuals rather than by government

Click the mouse button or press the Space Bar to display the information.





Private Property (cont.)

- What are called the rights of property, however, are actually the rights of humans: ↓
 - to risk investment ↓
 - own productive assets ↓
 - learn new ways of producing ↓
 - enjoy the benefits if these choices reap profits



Private Property (cont.)

- The Founders of the United States recognized that such rights must not be violated, because these rights are the invisible engine for creating wealth and prosperity for all. ↓
- The Constitution guarantees an owner's right to private property and its use. ↓
- In principle, no level of government in the United States can seize or use private property, at least not without paying the owners.

Click the mouse button or press the Space Bar
to display the information.





Competition

- In a free enterprise system, the lure of profits encourages **competition**—the rivalry among producers of similar products to win more business by offering the lowest prices or better quality.

competition

rivalry among producers or sellers of similar goods and services to win more business



Competition (cont.)

- Effective competition requires a large number of independent sellers, which means that no single company can noticeably affect the price of a particular product or service. ↓
- If one company raises its prices, potential customers can simply go to other sellers. ↓
- Competition leads to an efficient use of resources. ↓
- Businesses have to keep prices low enough to attract buyers, yet high enough to make a profit.

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to display the information.





Competition (cont.)

- This forces businesses to keep their costs of production as low as possible. ↓
- For competition to exist, barriers to enter and exit from industries must be weak. ↓
- Businesses must be free to expand into other industries. ↓
- For the most part, the United States has weak barriers to entry and exit. ↓
- Some industries have tougher barriers to entry.

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to display the information.



Section Assessment



Q What is the role of government in our free enterprise economy?

A Government plays a limited role.

Section Assessment (cont.)



Q How do freedom of enterprise and freedom of choice apply to the American economy?

A *Freedom of enterprise:* Americans may establish businesses, decide production methods and levels, and take risks in seeking profits.
Freedom of choice: American consumers are free to make choices and, therefore, they—not sellers—make the ultimate decisions about what should be produced.

Click the mouse button or press the Space Bar
to display the answer.



Section Assessment (cont.)



Q **Synthesizing Information** Shoe Store A offers a pair of high-top sneakers for \$48, whereas a competitor—Shoe Store B—offers the same shoe at 25 percent off their regular price of \$62. From which store should you buy the shoes?

A You should buy from Shoe Store B, because 25 percent off \$62 (\$46.50) is cheaper than \$48.

Click the mouse button or press the Space Bar to display the answer.



Section Close

Discuss the following question:
What makes the free enterprise
system unique?





Click the mouse button to return to the Contents slide.





Reader's Guide

Section Overview

Section 3 explains or describes the major goals of the United States economy and the benefits and responsibilities of individuals in a free enterprise system. ↓

Objectives

- What are the major goals of a market economy? ↓
- How can people balance economic rights with economic responsibilities?

Click the mouse button or press the Space Bar to display the information. Section 3 begins on page 46 of your textbook.





Reader's Guide (cont.)

Terms to Know

- economic efficiency ↓
- economic equity ↓
- standard of living ↓
- economic growth

Click the Speaker button to listen to the Cover Story.

Click the mouse button or press the Space Bar to display the information. Section 3 begins on page 46 of your textbook.





Introduction

- Nations have values, and they set goals for themselves based on those values. ↓
- The goals of the United States are evident in the Constitution, government policies, and the actions of its people.

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to display the information.





Goals of Free Enterprise

- The United States has a free enterprise, or capitalist, system. ↓
- Therefore, the major characteristics of a market economy should be evident in its goals. ↓
- Among the national goals of Americans are:
 - ↓
 - freedom ↓
 - efficiency ↓
 - equity ↓
 - security ↓
 - stability ↓
 - growth

Economic Freedom

- The goal of economic freedom is to allow each member of society to make choices. ↓
- Americans have the highest degree of freedom in the world to... ↓
 - start their own businesses. ↓
 - own private property. ↓
 - make decisions in the marketplace. ↓
 - pursue other economic choices.





Economic Freedom (cont.)

- People may choose to work nights or part-time, to have several jobs, and to move from place to place in search of work. ↓
- Along with this freedom come certain costs. ↓
- Individuals must normally accept the consequences of their decisions in our free enterprise system.



Economic Efficiency

- Using our limited resources wisely is the goal of **economic efficiency**. ↓
- Because of scarcity, if the factors of production are wasted, fewer goods and services overall will be produced. ↓
- We must always be watchful that the costs of our economic actions do not exceed the benefits.

economic efficiency

wise use of available resources so that costs do not exceed benefits

Click the mouse button or press the Space Bar to display the information.





Economic Equity

- The issue of fairness underscores the goal of **economic equity**. ↓
- Americans want their economic system to be fair and just. ↓
- That's why we encourage our policy makers to pass laws such as those dealing with equal pay for equal work, fairness in hiring practices, and help for disabled workers.

economic equity

the attempt to balance an economic policy so that everyone benefits fairly

Click the mouse button or press the Space Bar to display the information.





Economic Security

- Americans understand that making profits often means taking risks. ↓
- We also want protection against risks beyond our control: ↓
 - accidents on the job ↓
 - natural disasters ↓
 - business and bank failures ↓
 - poverty in old age ↓
- Our economic system provides such security through a number of government social programs.

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to display the information.





Economic Stability

- The goal of economic stability seeks to reduce extreme ups and down in the **standard of living**—the material well-being of an individual, group, or nation. ↓
- The standard of living is measured by the average value of goods and services used by the average citizen during a given period of time.

standard of living

the material well-being of an individual, group, or nation measured by how well their

necessities and luxuries are satisfied

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Economic Stability (cont.)

- The United States has more individuals enjoying a high standard of living than almost anywhere in the world.



Economic Growth

- **Economic growth** means producing increasing amounts of goods and services over the long term. ↓
- As the population increases, the economy must also expand in order to provide for additional needs and wants. ↓
- All nations have economic growth as a goal because it helps meet other goals.

economic growth

expansion of the economy to produce more goods, jobs, and wealth

Click the mouse button or press the Space Bar to display the information.





Trade-Offs Among Goals

- In a world of scarcity, achieving national goals requires trade-offs. ↓
- Any program that provides economic security uses resources that could have been directed elsewhere. ↓
- A plan of action must be developed in order to accomplish the nation's goals. ↓
- Such a plan often involves economic policy-making by elected or appointed officials who must face the reality of scarcity.

Click the mouse button or press the Space Bar
to display the information.





Rights and Responsibilities

- The American free enterprise system bestows numerous economic rights and protections on individuals. ↓
- You have the right to... ↓
 - enter into just about any profession or business you want. ↓
 - work very little or become a “workaholic.” ↓
 - buy those products and brand that you like and to reject all others.

Click the mouse button or press the Space Bar
to display the information.





Rights and Responsibilities (cont.)

- A well-functioning free enterprise system will not continue, however, if individuals do not take on certain economic responsibilities: ↓
 - support yourself and your family ↓
 - use your education in a reasonable manner that helps you become a productive member of the free enterprise system



Rights and Responsibilities (cont.)

- Because government has become such an important part of our economy, individuals in our system have the responsibility of electing responsible government officials. ↓
- This responsibility requires both the knowledge of possible government policies and the ability to analyze the consequences of those policies.

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Section Assessment

Q How can people balance economic rights with economic responsibilities?

A People can balance economic right with economic responsibility by supporting themselves and their families, using their education wisely to become a productive person, and electing responsible government officials.

Click the mouse button or press the Space Bar
to display the answer.



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Section Assessment (cont.)

Q **Summarizing Information**
Summarize the goals of the American economy in a photo essay or through song lyrics. Share your presentation with the rest of the class. Ask class members to identify the goals evident in your presentation.

A Essays and songs will vary.

Click the mouse button or press the Space Bar
to display the answer.



Section Close



Make a brief oral presentation supporting or opposing the following statement:

National economic goals are more important than individual economic freedoms.



Click the mouse button to return to the Contents slide.





Section 1: Economic Systems

- Every type of **economic system** must answer three basic questions: What goods and services should be produced? How should they be produced? Who should share in what is produced? ↓
- There are four types of economic systems: traditional, command, market, and mixed. ↓
- In a **traditional economy**, economic decisions are based on customs and beliefs handed down from generation to generation. ↓
- In a **command economy**, government leaders control the factors of production and, therefore, make all decisions about their use.

Click the mouse button or press the Space Bar
to display the information.



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Section 1: Economic Systems (cont.)

- In a **market economy**, individuals looking out for their own and their families' best interests make the economic decisions. ↓
- Most countries of the world have a **mixed economy** in which private ownership of property and individual decision making are combined with government regulations.

Click the mouse button or press the Space Bar
to display the information.



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Section 2: Characteristics of the American Economy

- A pure market economic system has six major characteristics: little or no government control, freedom of enterprise, freedom of choice, private property, the profit incentive, and competition. ↓
- **Capitalism**, as practiced in the United States, has private individuals owning the factors of production but using them within the limits of the law.

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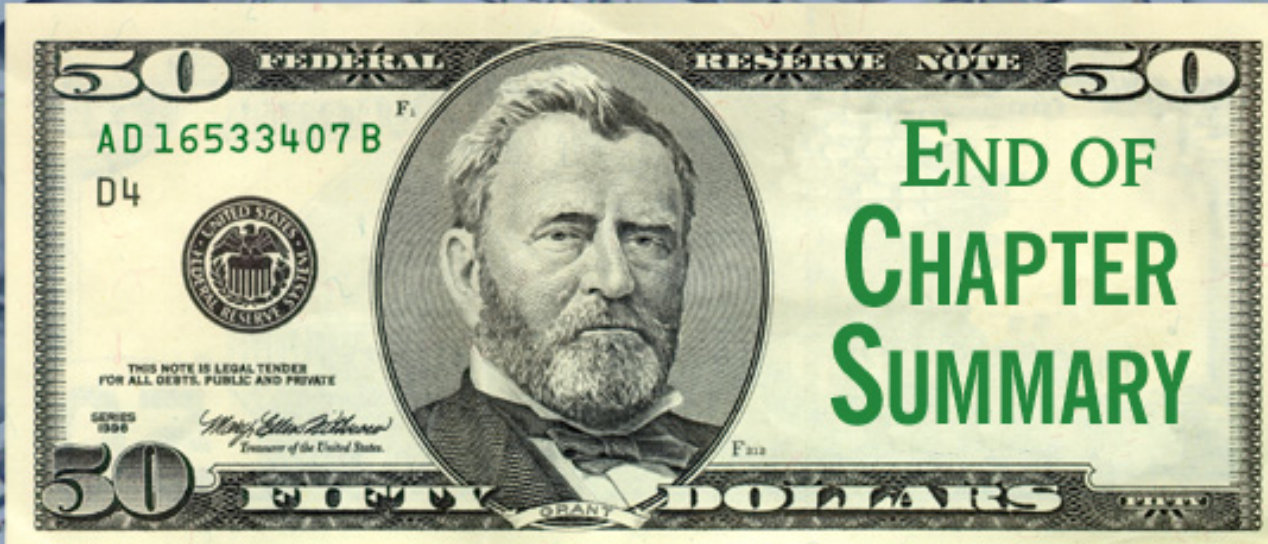
Section 2: Characteristics of the American Economy (cont.)

- The **profit incentive** is the desire that motivates entrepreneurs to establish new businesses, expand existing ones, and change the kinds of goods and services produced. ↓
- One of the most important characteristics of capitalism is the existence of **private property**. ↓
- **Competition** leads to an efficient use of resources, better goods and services, and low prices for consumers.

Reference
AtlasEconomics
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TUTORPuzzle
Player

Section 3: The Goals of the Nation

- The United States has a **free enterprise**, or capitalist, economic system. ↓
- Among the economic goals of Americans are economic freedom, **economic efficiency**, **economic equity**, economic security, economic stability, and **economic growth**. ↓
- A well-functioning free enterprise system requires individuals to take on certain economic responsibilities, including becoming productive members of society and electing responsible government officials.



Click the mouse button to return to the Contents slide.



Reference
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Recalling Facts and Ideas

Q What basic economic question helps determine the career path of individuals?

A For whom to produce?

Click the mouse button or press the Space Bar
to display the answer.



Reference
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Recalling Facts and Ideas (cont.)

Q What economic question is being answered if an industry replaces some workers with machines?

A How should goods and services be produced?

Click the mouse button or press the Space Bar
to display the answer.



Reference
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Recalling Facts and Ideas (cont.)

Q How does a traditional economy answer the basic question, “How should it be produced?”

A according to tradition, or how things were done in the past

Click the mouse button or press the Space Bar
to display the answer.

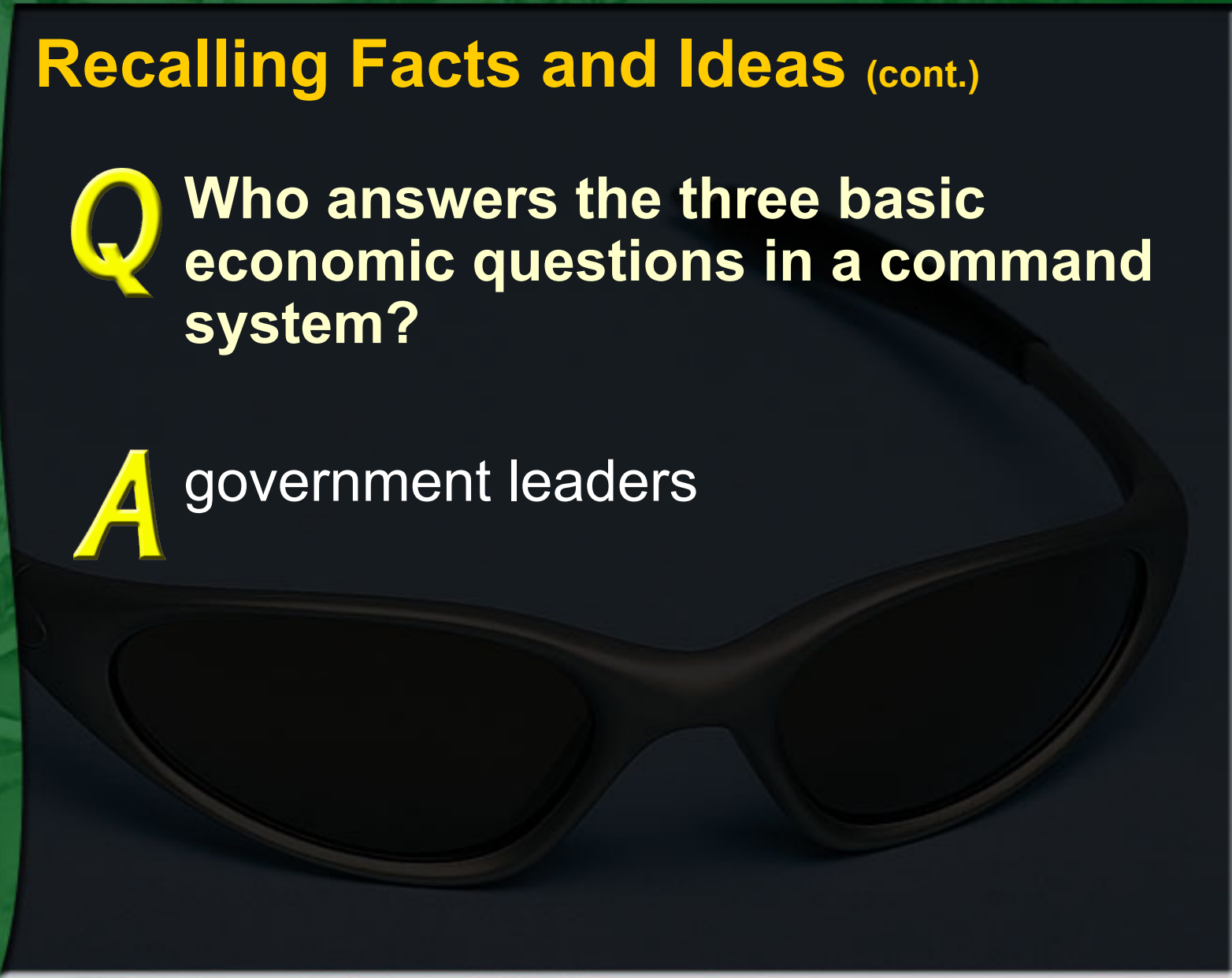




Recalling Facts and Ideas (cont.)

Q Who answers the three basic economic questions in a command system?

A government leaders



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Recalling Facts and Ideas (cont.)

Q Who owns the factors of production in a market economy?

A individuals

Click the mouse button or press the Space Bar to display the answer.



Reference
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Player

Recalling Facts and Ideas (cont.)

Q What are six important characteristics of free enterprise?

A limited government involvement, freedom of enterprise, freedom of choice, private property, profit incentive, competition

Click the mouse button or press the Space Bar
to display the answer.



Reference
AtlasEconomics
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Recalling Facts and Ideas (cont.)

Q What is government's limited role in pure capitalism?

A to provide for national defense and to eliminate business practices that limit trade

Click the mouse button or press the Space Bar
to display the answer.



Reference
AtlasEconomics
OnlineBusinessWeek
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Player

Recalling Facts and Ideas (cont.)

Q Why is private property important in the American economic system?

A Private property rights protect ownership, use, and profits.

Click the mouse button or press the Space Bar
to display the answer.



Reference
AtlasEconomics
OnlineBusinessWeek
ONLINEInteractive
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Player

Recalling Facts and Ideas (cont.)

Q What are three goals of the free enterprise system?

A Possible answers: economic freedom, economic efficiency, economic equity, economic security, economic stability, economic growth

Click the mouse button or press the Space Bar
to display the answer.



Reference
AtlasEconomics
OnlineBusinessWeek
ONLINEInteractive
TUTORPuzzle
Player

Recalling Facts and Ideas (cont.)

Q What does the United States do to promote economic security for individuals?

A provides a number of government social programs, such as workers' compensation, unemployment compensation, Social Security, Medicare, and federal insurance for failed banks

Click the mouse button or press the Space Bar
to display the answer.



Reference
AtlasEconomics
OnlineBusinessWeek
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Player

Thinking Critically

Q **Making Comparisons** Create a diagram like the one on page 53 of your textbook to list the advantages and disadvantages of competition to buyers and sellers.

A Advantages for buyers—wide choice of products, low prices. Advantages for sellers—encourages efficient use of resources. Disadvantages for buyers—must compete among other buyers to find the best products at the lowest prices. Disadvantages for sellers—businesses must lower prices.

Click the mouse button or press the Space Bar
to display the answer.



Reference
AtlasEconomics
OnlineBusinessWeek
ONLINEInteractive
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Player

Thinking Critically (cont.)

Q **Categorizing Information** Explain what U.S. economic goal is being met by the following actions: (a) The government regulates the amount that an electric company can charge you for energy. (b) Juan moves to Seattle to work for a Web page designer. (c) Your savings account is insured up to \$100,000.

A a.) economic equity; b.) economic freedom; c.) economic security

Click the mouse button or press the Space Bar
to display the answer.



Reference
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Reviewing Skills

- **Making Comparisons** Research Russia's economy today and when it was a command economy under the Soviet Union. ↓
- Prepare a chart listing the similarities and differences in how the three basic economic questions were and are answered under both economies.

Click the mouse button or press the Space Bar
to display the information.



Reference
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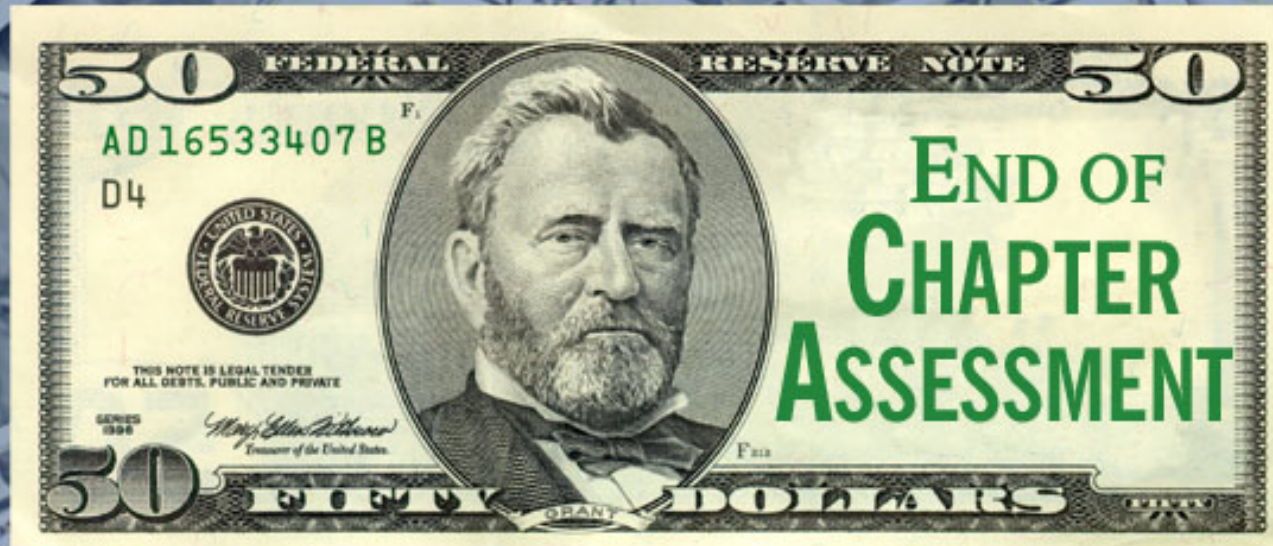
Chapter Bonus Question

Q In Japan, private industry determines production goals in conjunction with government economic forecasting. What type of economic system does the interaction suggest?

A mixed economic system

Click the mouse button or press the Space Bar
to display the answer.





Click the mouse button to return to the Contents slide.



ECONOMIC CONCEPTS



Transparency 4

Congress of THE United States

began and held at the City of New York, on
Wednesday the fourth of March, one thousand seven hundred and eighty nine

THE Convention of members of the States having with them their respective legislatures assembled in order to amend the Constitution of the United States, do hereby certify that the following resolutions were adopted by the Convention on the fourth day of March, one thousand seven hundred and eighty nine.

RESOLVED by the Senate and House of Representatives of the United States of America, in Congress assembled, That there shall be no State which shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty, or property, without due process of law.

No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty, or property, without due process of law.

ECONOMIC SYSTEMS

The U.S. Constitution provides the political, social, and legal framework for the economic system in our country.

ARTICLE

That the Congress, the President, and the Vice President of the United States, and the President of the Senate

John Adams, Vice President of the United States, and President of the Senate

John Adams, Vice President of the Senate
June 20, 1789

EXPLANATORY NOTES: On September 25, 1789, the Congress proposed twelve articles of amendment to the Constitution of the United States. Except for the first two, they were ratified by the required number of States by December 15, 1791, and thus became the first ten amendments. They have since been known as the Bill of Rights. The original is not legible in several places and this copy has been retouched for legibility.

The articles in brief are: ARTICLE I—Regulating the number of Representatives according to the population of the States. ARTICLE II—Senators and Representatives cannot increase their salaries during their present term of office. ARTICLE III—Freedom of religion. Freedom of speech. Freedom of the press. Freedom of assembly. Right to petition the government for redress of grievances. ARTICLE IV—Rights in land and sea areas, since a well regulated militia is necessary for the security of a free State. ARTICLE V—No soldier to be quartered in any house in time of peace without the consent of the owner. ARTICLE VI—Freedom from unreasonable search and seizure. ARTICLE VII—Procedure concerning propositions, trial and punishment, fair compensation for property taken for public use. ARTICLE VIII—Rights to speedy and public trial, and provisions for its procedure. ARTICLE IX—Rights of trial by jury. ARTICLE X—Exemption from all taxes and other impositions. ARTICLE XI—All rights to be retained by the people except those regulated in the Constitution. ARTICLE XII—The power reserved to the States or to the people.



FOCUS ACTIVITIES

Transparency 6



Types of Economic Systems

Traditional	Market	Command
<ul style="list-style-type: none">• Economic decisions are based on customs and beliefs.• Change is discouraged and sometimes even punished.• Methods of production are often inefficient.• Family and community ties are strong.	<ul style="list-style-type: none">• Economic decisions are made by individuals.• Individuals own the factors of production and choose what to produce based on the information provided by market prices.• Consumer choice is large.• There is little incentive to engage in unprofitable ventures like caring for the sick.	<ul style="list-style-type: none">• Economic decisions are made by government leaders.• The government owns the factors of production.• Prices are set by the government.• Consumer choice is often limited.• Resources can be quickly rerouted.• Income distribution can be controlled by the government.

TYPES OF ECONOMIC SYSTEMS

1. Which of these economic systems best describes the United States?

2. Give examples of when the other two systems have been (or might be) utilized by the United States for making economic decisions.

Continued on next slide.



FOCUS ACTIVITIES

Transparency 6



Types of Economic Systems

Traditional	Market	Command
<ul style="list-style-type: none">• Economic decisions are based on customs and beliefs.• Change is discouraged and sometimes even punished.• Methods of production are often inefficient.• Family and community ties are strong.	<ul style="list-style-type: none">• Economic decisions are made by individuals.• Individuals own the factors of production and choose what to produce based on the information provided by market prices.• Consumer choice is large.• There is little incentive to engage in unprofitable ventures like caring for the sick.	<ul style="list-style-type: none">• Economic decisions are made by government leaders.• The government owns the factors of production.• Prices are set by the government.• Consumer choice is often limited.• Resources can be quickly rerouted.• Income distribution can be controlled by the government.

TYPES OF ECONOMIC SYSTEMS

1. Which of these economic systems best describes the United States?

The U.S. utilizes a market economic system.

2. Give examples of when the other two systems have been (or might be) utilized by the United States for making economic decisions.

Command: During times of war, the government may decide what is to be produced. The U.S. president can make it illegal for air traffic controllers and other personnel to strike. Traditional: Family businesses often operate based on tradition. Amish communities make their economic decisions based on tradition.



FOCUS ACTIVITIES



Transparency 7

THE MARKET ECONOMY

1. How many different businesses can you identify in this photograph?
2. How would the local economy be affected if another appliance store opened across the street?



Continued on next slide.



FOCUS ACTIVITIES



Transparency 7

THE MARKET ECONOMY

1. How many different businesses can you identify in this photograph?

Answers will vary.



2. How would the local economy be affected if another appliance store opened across the street?

With another appliance store on the other side of the street, there would be more competition for consumers' dollars and more freedom of choice for the consumer.





NATIONAL ECONOMIC GOALS

We, the People
of the United States, in order
to form a more perfect Union,
establish justice, insure domestic
tranquility, provide for the common
defense, promote the general welfare,
and secure the blessings of liberty
to ourselves and our posterity,
do ordain and establish this
Constitution for the United States
of America.

*—the Preamble to the Constitution
of the United States*

1. Which goal or goals in the Preamble do you think include economic goal?
2. How might the economic goal of economic growth be related to the use of the word "posterity" in the Preamble?





NATIONAL ECONOMIC GOALS

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Constitution for the United States
of America.

*—the Preamble to the Constitution
of the United States*

1. Which goal or goals in the Preamble do you think include economic goal?

Answers will vary. Each of the goals has an economic component.

2. How might the economic goal of economic growth be related to the use of the word "posterity" in the Preamble?

Answers will vary. Posterity means something akin to descendants, and that economic growth can result in a full, healthy economy as a legacy for future generations.



Identify the characteristics of the American economic system.

Q “When you go the store to buy breakfast cereal, are there many kinds or just one? If there are many, you have _____.”

In this chapter you will learn that choice and competition are major characteristics of the American economy.



Explore online information about the topics introduced in this chapter.

Click on the **Connect** button to launch your browser and go to the *Economics: Today and Tomorrow* Web site. At this site, you will find interactive activities, current events information, and Web sites correlated with the chapters and units in the textbook. When you finish exploring, exit the browser program to return to this presentation. If you experience difficulty connecting to the Web site, manually launch your Web browser and go to **http://ett.glencoe.com**



The logo for BusinessWeek ONLINE. "BusinessWeek" is written in a red serif font on a yellow background. Below it, "ONLINE" is written in a white sans-serif font on a dark blue background with vertical lines.

Explore online information about the topics introduced in this chapter.

Click on the **Connect** button to launch your browser and go to the *BusinessWeek* Web site. At this site, you will find up-to-date information dealing with all aspects of economics. When you finish exploring, exit the browser program to return to this presentation. If you experience difficulty connecting to the Web site, manually launch your Web browser and go to **http://www.businessweek.com**



BusinessWeek
SPOTLIGHT

Save the Species—but Add Incentives

At present there are about 5,748 nesting pairs of bald eagles throughout the United States. Even if it were removed from the protected list, the bald eagle's status would be watched by state and federal wildlife agencies. And, if at any time its survival appeared threatened, it would be returned to the list.

Read the *BusinessWeek Spotlight on the Economy* article on page 50 of your textbook. Learn how the actions of people and the government may cause some economic goals to conflict.

Continued on next slide.



BusinessWeek
SPOTLIGHT**Save the Species—but Add Incentives**

Q What argument do environmentalists make in support of the Endangered Species Act?

A It is a powerful weapon to protect sensitive habitats.

Continued on next slide.

Click the mouse button or press the Space Bar to display the answer. This feature is found on page 50 of your textbook.



BusinessWeek
SPOTLIGHT**Save the Species—but Add Incentives**

Q What argument do critics make against the Act?

A Conservative critics argue that it gives Fish & Wildlife Service biologists unlimited power to block development—without paying for it. Some environmentalists criticize the Act for doing too little, too late, to protect wildlife and its habitats.

Continued on next slide.



BusinessWeek
SPOTLIGHT**Save the Species—but Add Incentives**

Q What two economic goals are in conflict in this situation?

A economic freedom and economic equity

Click the mouse button or press the Space Bar to display the answer. This feature is found on page 50 of your textbook.





Economics and You

Video 3: Economic Systems & the American Economy

Objectives

After viewing *Economic Systems & the American Economy*, you should be able to... ↓

- explain how a free enterprise system works. ↓
- describe the role of government in the American economy. ↓
- understand how the minimum wage affects the economy in general.

Continued on next slide.

Click the mouse button or press the Space Bar to display the information.





Economics and You

Video 3: Economic Systems & the American Economy



Disc 1, Side 1
Chapter 3

Click the **Videodisc** button anytime throughout this section to play the complete video if you have a videodisc player attached to your computer.

Click the **Forward** button to view the discussion questions and other related slides.

Click inside this box to play the preview.

Continued on next slide.





Economics and You

Video 3: Economic Systems & the American Economy

Q What are some examples of government's role in the American economy?

A Possible answers: requiring businesses to pay workers a minimum wage; requiring businesses to meet environmental standards; providing services such as health care to the elderly



Disc 1, Side 1
Chapter 3

Click the mouse button or press the Space Bar to display the answer.





Making Comparisons

When you make comparisons, you determine similarities and differences among ideas, objects, or events. Making comparisons is an important skill because it helps you choose among alternatives.

Continued on next slide.

This feature is found on page 39 of your textbook.





Making Comparisons

Learning the Skill

- To learn how to make comparisons, follow the steps listed below. ↓
 - Identify or decide what will be compared. ↓
 - Determine a common area or areas in which comparisons can be drawn. ↓
 - Look for similarities and differences within these areas.

Continued on next slide.





Making Comparisons

Practicing the Skill

- Read the passages on page 39 of your textbook, then answer the following questions.

Continued on next slide.

This feature is found on page 39 of your textbook.





Making Comparisons

Q What is the topic of these passages?

A the relationship between time and work

Continued on next slide.

Click the mouse button or press the Space Bar to display the answer. This feature is found on page 39 of your textbook.





Making Comparisons

Q How are the passages similar?
Different?

A Both excerpts talk about time. The first mentions that the sun was the chief measure of time when work was predominately agricultural. The second talks about the methods used to get workers to work on time in industrial cities.

A graphic with a yellow background and a blue border. It features a stylized white pen nib pointing to the right. The text "Economic Connection to..." is written in a bold, red, sans-serif font, with the "E" and "C" being significantly larger than the other letters. The text is positioned to the right of the pen nib.

**Economic
Connection to...**

History: The Soviet Union's Quota System

In the former Soviet Union, workers often used resources inefficiently or completely wasted them when trying to fill government production quotas. For example, after the central planning committee ordered a quota for glass based on the number of panes, workers made many panes of glass—each paper-thin and shattering easily! When the production quota was changed to be based on the weight of the panes, workers made the glass panes so thick that they were useless.



Did you know?

An element of the traditional economic system persists in the United States—barter. This involves the exchange of goods and services. According to the National Association of Trade Exchanges, there are 350,000 to 400,000 businesses in the United States and Canada conducting about \$4.3 billion in barter trade a year.





**The
Global Economy**

China and Free Enterprise

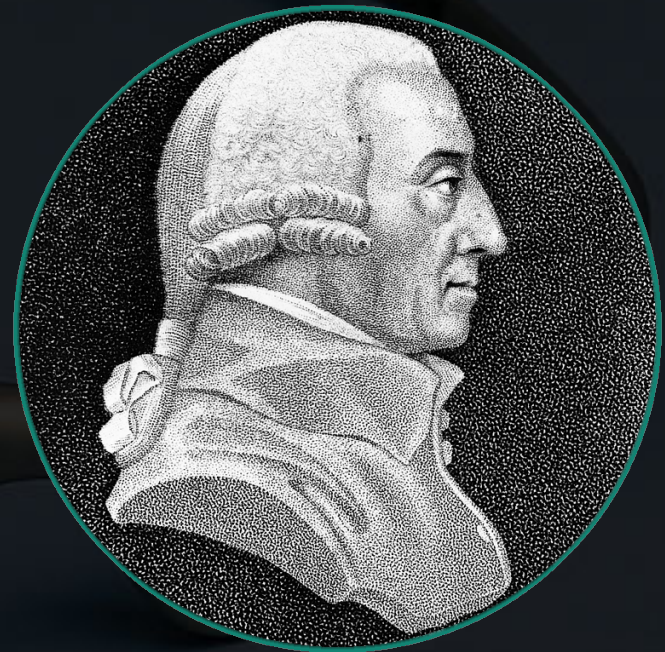
In 1999 China changed its constitution to allow the private sector to become an important part of the economy. However, the constitution still refers to the Chinese economic system as “socialist.”



Adam Smith

1723–1790

Click the picture to listen to the selection on page 45 of your textbook to find out more about Adam Smith. Be prepared to answer questions that appear on the next two slides.



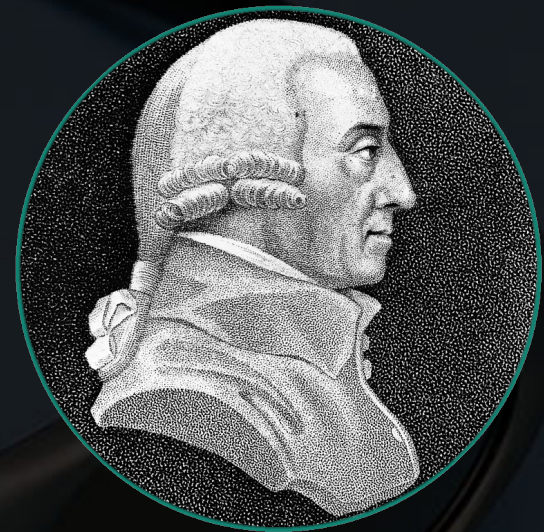
This feature is found on page 45 of your textbook.





Adam Smith

1723–1790



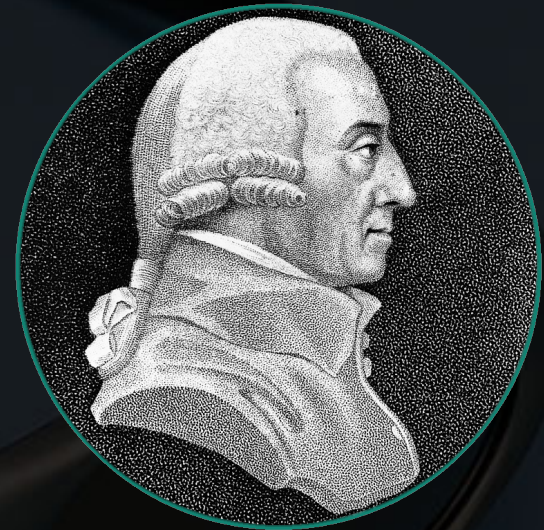
Q How does an “invisible hand” directing an individual’s economic choices benefit society as a whole?

A Smith suggests that the invisible hand of self-interest often promotes the good of society.



Adam Smith

1723–1790

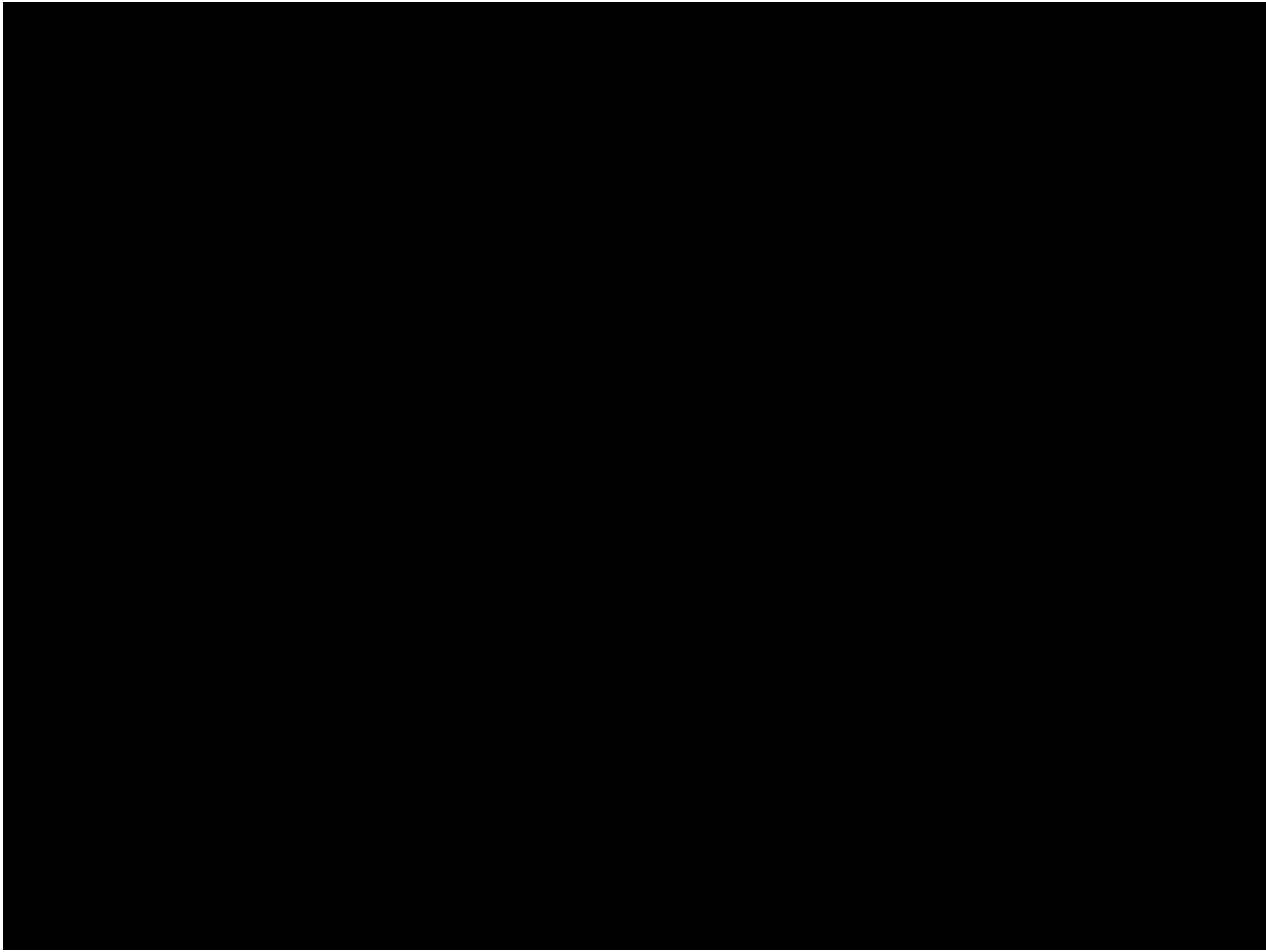


Q In Smith’s opinion, why should people not attempt to “employ their resources” in many industries?

A Smith notes that it is in individuals’ best interests to put all their resources into what they are best at and, with the profits that they make, buy the things they cannot make.

Click the mouse button or press the Space Bar to display the answer. This feature is found on page 45 of your textbook.







Click the mouse button to return to the Contents slide.