Agenda 9/18

- BW—ACT Prep
- Word Wall Review
- Economic Continuum Activity
- Exit Ticket—Benchmark Review Questions
On an August morning in 2008, a Serbian American swimmer named Milorad Cavic glides toward the wall. The entire world believes he’ll win the biggest race of his life.

- A. NO CHANGE
- B. believed he’d
- C. believed he was going to
- D. believe he’ll
2. Suddenly, a tsunami of chlorinated water rushes forward in the next lane. Two hands the size of Frisbees propel another swimmer’s body toward the finish. In a moment impossible to see with the naked eye, the swimmer next to Cavic surges forward and arrives just before him.

• A. NO CHANGE
• B. his.
• C. his arrival.
• D. he does.
3. This desperate **attack**, which seconds earlier seemed in vain, has proven to be the difference. The swimmer in the lane next to Cavic has won.

- A. NO CHANGE
- B. lunge
- C. jump
- D. pounce
4. The swimmer in the next lane is, of course, Michael Phelps. His margin of victory is one-hundredth of a second.

• A. NO CHANGE
• B. in the next lane were,
• C. on the next lane is,
• D. in the next lane
The story of Michael Phelps at the Beijing Olympics includes countless mind-boggling specifics; eight gold medals, seven world records, two miraculous finishes, and a never-ending stream of priceless images.

• A. NO CHANGE
• B. specifics—eight gold medals
• C. specifics, eight gold medals
• D. specifics: eight gold medals,
Answers

• 1. A
• 2. D
• 3. B
• 4. A
• 5. D
Word Wall Review

ECONOMICS
HTTPS://QUIZLET.COM/312393518/FLASHCARDS

ECONIMCS
HTTPS://QUIZLET.COM/312392891/FLASHCARDS
ECONOMIC SYSTEMS CONTINUUM ACTIVITY:

• Read the Country Information Cards then place the Country Name Cards at the appropriate location on the continuum.

• Write down your description of the location and explain your reasoning for each country on the Group Response Sheet.

• Economic Systems Continuum Activity: Group Response—1 paper per group—will be turned in for a grade.

• On your post-it notes place all the countries on the continuum on the board.

• Example

  1. Israel  Describe location on continuum _see below__________________________________________
  • Explain your reasoning ___why did you place it in that spot_________________________________

• Sample descriptions:
  • between command and mixed, but closer to command;
  • between mixed and market, but closer to market than
AGENDA 9/19

• BW—Need to know
• Word Wall Review—Kahoot—top 5 get CANDY!!!!
• Finish economic continuum Activity
• Work on Chapter 3 questions
Need to Know

Textbook – pages 118-119 “How the Economy Works” activity. Read “What are production costs?” In complete sentences, answer the two questions.

What does a company generally do when demand for its goods goes up? (E11)

a. It rations goods.
b. It raises prices.
c. It cuts prices.
d. There is no set response.
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Chapter 3 Vocabulary and Section 1 and 2 Guided Reading
Questions

WRITE TO FOLLOWING DEFINITIONS AND QUESTION ANSWERS IN THE CLASS/NOTES SECTION OF YOUR NOTEBOOK

a. Eminent domain | d. Poverty threshold
b. Gross domestic product | e. In-kind benefits
c. Infrastructure | f. grant

Section 1—Be Sure to answer the questions COMPLETELY—not just 1 or 2 words.

1. What are the 4 key characteristics of the free enterprise system?
2. What are 2 things the consumer can do to express their wishes?
3. What are 2 ways the Constitution protects economic freedom?
4. What are 2 ways the government protects the public interest?
5. How does the principle of voluntary exchange promote competition?

Section 2—Be Sure to answer the questions COMPLETELY—not just 1 or 2 words.

6. What is the main measure used to track the business cycle?
7. What are the 3 main goals policymakers pursue to promote economic stability?
8. Identify 2 indicators of economic stability.
Agenda 9/21

- BW—Communism v. Socialism
- Finish/Discuss Chpt. 3
- Exit Ticket
In both communist and socialist nations, the government plays a major role in the economy. There are great differences, though. This chart gives some statistics and other information comparing communist North Korea to Sweden, which has a market economy but many socialist qualities. ♦ Study the information in the chart, and then answer the questions that follow.

### National Statistics

<table>
<thead>
<tr>
<th>National Statistics</th>
<th>North Korea</th>
<th>Sweden</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>23.5 million</td>
<td>9.0 million</td>
</tr>
<tr>
<td>Infant mortality rate (deaths per 1,000 births)</td>
<td>21.9</td>
<td>2.75</td>
</tr>
<tr>
<td>Life expectancy at birth</td>
<td>72.2 years</td>
<td>80.7 years</td>
</tr>
<tr>
<td>National production per person</td>
<td>$1,900</td>
<td>$36,900</td>
</tr>
<tr>
<td>Economic aid — donor or recipient</td>
<td>Recipient</td>
<td>Donor</td>
</tr>
<tr>
<td>Economic aid — extent</td>
<td>$372 million</td>
<td>$3.95 billion</td>
</tr>
<tr>
<td>Percentage of industrial output by private firms</td>
<td>0%</td>
<td>90%</td>
</tr>
<tr>
<td>Personal income taxes</td>
<td>n/a</td>
<td>30–50% of income</td>
</tr>
<tr>
<td>Workweek</td>
<td>Unknown</td>
<td>37 hours</td>
</tr>
<tr>
<td>Yearly vacation</td>
<td>n/a</td>
<td>5 weeks</td>
</tr>
<tr>
<td>Leave from work for child care</td>
<td>Unknown</td>
<td>480 days, used by child’s 8th birthday</td>
</tr>
<tr>
<td>Education</td>
<td>Required ages 5–16; free</td>
<td>Required ages 7–16; free</td>
</tr>
<tr>
<td>Health care — provided by government</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Health care — quality</td>
<td>Poor</td>
<td>Very good</td>
</tr>
<tr>
<td>Unemployment insurance</td>
<td>n/a</td>
<td>Through union</td>
</tr>
<tr>
<td>Old-age pensions</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

1. **North Korea has a larger population than Sweden. Sweden has a higher economic output per person. Which country is more productive?**

2. **Compare life expectancy and healthcare in the two countries. Which has a higher standard of living? Explain your answer.**

3. **If North Korea’s output per person increased, do you think its standard of living would improve? Why or why not?**
Section 1—Be Sure to answer the questions COMPLETELY—not just 1 or 2 words.

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8. Identify 2 indicators of economic stability.
Economic Efficiency

• Societies try to use the resources they have (scarcity)
  – If wants/needs are met then society is happy
  – Producers seek ways to create goods and make them available to consumers
    – Failure to do so makes the economy inefficient
Economic Freedom

- People want to make their own choices
  - Some societies do not allow this
    - Communism; Dictatorships; Radical Governments
Economic Security

- Economic systems should seek to reassure people that goods/services are available
  - Needs/wants will be met
  - Some gov’t provide safety nets
    - Disability; Welfare; Workers Comp; FEMA; Social Security
Economic Equality

• Societies must decide how to divide their economy
  – How much money will people get
  – People that are unable/unwilling to produce goods/services—what do you do with them?
Economic Growth

• Economies must grow with the nation
  – Provide jobs; industry; income
  – As a country’s economy grows so does its standard of living
  – Innovation improves the Standard of Living
Goals in Conflict

• Sometimes economic goals conflict with each other
  – Safety nets may slow economic growth
  – Environment protection may limit manufacturers

• All economic goals must be prioritized
  – All come with trade-offs
Socialism

- Wealth should be evenly distributed throughout society
- Controlled by the government/public
- Sometimes it coexists with a free market
  - “Market” Socialism: allows gov’t to use taxation to redistribute wealth and provide services
Communism

Command Economy

- Gov’t owns and controls everything
  - All economic decisions
- Karl Marx
  - Said there is conflict b/w labor and capital
  - Labor was the most valuable
  - Capitalism is the exploitation of workers & unfair distribution of wealth
- Authoritarian governments
  - Limited individual rights

2 Communist Economies

- The Soviet Union
  - 1st communist state
  - Heavy Industry; Military
  - Few consumer goods
  - Food shortages
- China
  - Forced Farm Labor
  - Food Shortages
  - Eventually fixed
  - Worker incentives
    - Improved quality of products
    - Some entrepreneurship is allowed
  - Today China has economic growth
Adam Smith

• Scottish social philosopher
• 1776 published *The Wealth of Nations*

• Competition & self-interest drive free markets

*It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest.*

(Adam Smith)
The invisible hand - Adam Smith

- People act in self-interest
- Consumers buy what they want, Producers make what will make $

- Competition causes firms to produce more & regulates price

- Market place operates efficiently with no central planning—Laissez Faire—hands off
incentives

• Hope of reward or fear of penalty
• Encourages a person to behave in a certain way

WHAT ARE INCENTIVES?

Maria’s parents **promise to buy her concert tickets** if she improves her grades.

**POSITIVE INCENTIVE**

Maria spends **more time studying** for school.

**RESPONSE**

Maria’s parents **threaten to ground her** if her grades do not improve.

**NEGATIVE INCENTIVE**

State government **offers a tax credit** for commuters who use public transportation to get to work.

Gas consumption drops as commuters **drive less and use public transportation more**.

State government **increases the tax** on gasoline.
Circular flow model—Draw this
Reasons for mixed economy

- Governments may limit child labor to protect children’s health and safety.
Circular flow model of a mixed economy - draw this
## Selected Government Transfer Payments, 2009

<table>
<thead>
<tr>
<th>PROGRAM</th>
<th>AMOUNT TRANSFERRED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Security</td>
<td>$664 billion</td>
</tr>
<tr>
<td>Medicare</td>
<td>$500 billion</td>
</tr>
<tr>
<td>Unemployment Insurance Payments</td>
<td>$130 billion</td>
</tr>
<tr>
<td>Federal Education and Training Assistance Payments</td>
<td>$57 billion</td>
</tr>
<tr>
<td>Food Stamps</td>
<td>$55 billion</td>
</tr>
<tr>
<td>Veteran’s Benefits</td>
<td>$51 billion</td>
</tr>
</tbody>
</table>

**SOURCE:** United States Census Bureau
What is Free Enterprise?

- The United States is considered by many to be a “land of opportunity.”

- The American tradition of free enterprise has been a key factor in supporting this belief.
Characteristics of a free enterprise include:

- Profit motive
  - The American economy rests on recognition of the profit motive as a key incentive. In a free enterprise businesspeople make decisions based on what will increase their profits.

- Open opportunity
  - The American principle of open opportunity says that anyone can compete in the marketplace.
Checkpoint: What are three key economic rights that Americans enjoy?

– Legal equity
  • American free enterprise believes in the principle that everyone has the same legal rights.

– Private property
  • The free enterprise system allows people to make their own decisions about their own property.

– Freedom to buy and sell
  • People can decide what agreements to enter into, as well as what, when, and how they want to buy and sell.
• Free enterprise in the United States is written into the framework of the U.S. Constitution.
  – One right granted by the Constitution is the 5th Amendment, which protects private property from being taken from a citizen without due process.
  – However, the government is allowed to take property from an individual, paying fair market value for that property, when there is a public reason. This is known as eminent domain.
Major Federal Regulatory Agencies

• All of the agencies to the right represent ways the federal government intervenes in the marketplace.

– Identify one agency meant to protect each of the following: (a) public safety, (b) fair competition, (c) equality.
Negative Effects of Regulation

• Negative effects of government include:
  – Rules are costly to implement
  – Regulations stifle competition
  – Increased government spending in industries because the government has to hire workers to do the actual oversight
Introduction

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

– The U.S. government encourages growth and stability by:
  • Tracking business cycles
  • Promoting a high employment rate
  • Keeping prices stable
  • Encouraging the development of new technologies
  • Taking pride in the American work ethic
Tracking Business Cycles

• One measure of the nation’s economic well-being is gross domestic product (GDP).

How much did the GDP grow between 1990 and 2006?
GDP and the Business Cycle

• During a period of growth, GDP goes up and in a period of contraction, GDP goes down.
• This pattern of a period of expansion followed by a period of contraction is called a business cycle.
  – Changes in the business cycle take place because individuals and businesses, acting in their own self-interest, make decisions about factors such as prices, production, and consumption.
What does the graph show (E32)?

A. percentage of jobs lost or gained
B. change in cash available
C. percentage of lending rates most banks offered
D. percentage change in total value of American goods and services
Based on the graph, which of the following statements best describes the U.S. economy in 2009 (E32)

A. It ended the year with strong growth
B. it experienced strong growth at the beginning of the year
C. It experienced strong growth in the middle of the year
D. It was generally strong and growing steadily all year long
Promoting Economic Strength

• Checkpoint: What three goals does the government try to meet when promoting economic strength?

  – High employment
  – Economic growth
  – Stability and security
Employment and Growth

• Employment
  – The government strives to make sure there are enough jobs for everyone who is able to work.
  – An unemployment rate between 4 percent and 6 percent is considered healthy.

• Economic Growth
  – To help spur economic growth, the government can cut taxes or increase spending.
Stability and Security

- One indicator of economic stability is the general level of prices.
- The government seeks to prevent sudden, drastic shifts in prices so that neither the consumer or the producer suffers.
- Another indicator of stability is financial institutions such as banks and the stock market. Government regulations seek to keep these institutions as stable as possible.
Technological Progress, cont.

• Many inventions have improved productivity in the United States, including:
  – The light bulb, which made a longer workday possible
  – The assembly line, which led to mass production at affordable costs
The Government’s Role

• The government promotes innovation and invention to help maintain the country’s technological advantage by:
  
  – Funding research and development projects at universities
  – Establishing their own research institutions, like NASA
  – Granting patents and copyrights, which are an incentive to innovation
Chapter 3: American Free Enterprise
Section 3
• Why does a society provide public goods?
  
  – The government provides society with certain public goods because it would be inefficient or impractical for a free market economy to provide these goods on its own.
Public Goods

- A public good is a shared good or service for which it would be inefficient or impractical to make consumers pay individually and to exclude those who do not pay.
Public Goods, cont.

• In the case of most public goods it is simply not practical for a private business to provide the service, charge those who benefit, and exclude non-payers from using the source.

Maintaining street signs and traffic lights is one economic role of government.
Public Goods, cont.

• Public goods can be used by any number of consumers without reducing the benefits to any single consumer.

• Public goods are financed by the public sector.
  – Firefighters are an example of a public good.
Costs and Benefits

• Checkpoint: What two criteria must be present for a public good?
  – The benefit to each individual is less than the cost that each individual would have to pay if it were provided privately.
  – The total benefits to society are greater than the total cost.
Costs and Benefits, cont.

• The government pays for public goods through taxes.

• Thus, the financial burden on each individual is significantly less than if a few people decided to fund a project privately.
Free Riders

• One issue associated with public goods is known as the “free-rider problem.”

• Free riders are people who are not willing to pay for a particular good or service but would benefit from it if it were offered as a public good.
Positive Externalities

• Public goods involve externalities, which may be either positive or negative.

• Positive Externalities
  – Represent the beneficial side effects of public goods.
  – Can also be generated by the private sector.
  – Allow someone who did not purchase a good to enjoy part of the benefits of that good.
Negative Externalities

- Negative externalities cause part of the cost of producing a good or service to be paid for by someone other than the producer.

Why would increased car traffic be considered a positive externality by some people and a negative externality by others?
Chapter 3: American Free Enterprise
Section 4
• How does government help the poor?

– To help the poor, government programs take money from some people and redistribute it to others.

– Such programs include:
  • The welfare system
  • Cash transfers
  • In-kind benefits
  • Medical and educational benefits
  • Grant money
The Poverty Problem

- In a free market, the wealth is spread unevenly throughout society, which leaves some people below the poverty threshold.
- The U.S. Bureau of the Census sets the poverty threshold based on the cost of the goods a family needs to buy.
The Government’s Role

• Checkpoint: What is the goal of the government welfare program?

  – The government provides a safety net to groups like the very young, the very old, the sick, the poor, and the disabled through various federal, state, and local government programs.
The Government’s Role, cont.

• One government program, the welfare program, collects funds from taxpayers and redistributes this money to those in need.
  – This system began during the Great Depression and continues today.
Welfare Reform

• Critics of welfare claim that it discourages productivity and further aggravates poverty.

– In 1996, new welfare reforms limited the amount of time people could receive welfare payments and gave states more freedom to experiment with antipoverty programs.
Redistribution Programs

• Government redistribution programs include the following:

  – Cash transfer programs
    • Temporary Assistance for Needy Families (TANF) - sends welfare payments directly to the states, which design and run their own welfare programs
Redistribution Programs, cont.

• Social Security - collects money from current workers and redistributes funds to retired and disabled persons
Each payday, some of your pay is withheld for Social Security. What happens to this money? (E33)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A.</td>
<td>It is redistributed as cash transfers to workers injured on the job</td>
</tr>
<tr>
<td>B.</td>
<td>It is put into an account under your name to earn interest until you retire</td>
</tr>
<tr>
<td>C.</td>
<td>It is used to provide medical benefits to Americans over 65</td>
</tr>
<tr>
<td>D.</td>
<td>It is redistributed as cash transfers to retired and disabled persons</td>
</tr>
</tbody>
</table>
Redistribution Programs, cont.

• Unemployment Insurance
  – Provides money to workers who have lost their jobs as long as recipients offer proof that they have made efforts to get work.
  – This help is only temporary, offering benefits for only 26 weeks in most states.

• Worker’s Compensation
  – Provides state funds to workers injured on the job.
In-Kind Benefits

• The government also provides poor people with in-kind benefits, such as:
  
  – Food stamps
    • Qualified people receive assistance with their monthly food purchases
In-Kind Benefits, cont.

• **Subsidized housing**
  – Qualified people are allowed to rent housing for less than the regular rent

• **Legal aid**
  – Qualified people receive legal advice at no charge
Encouraging Private Action

• Checkpoint: How does tax law provide an incentive to help the needy?

– Federal tax laws allow both individuals and corporations to take tax deductions for charitable donations.
– The government may also provide grants and other assistance to organizations that provide social services.
### Exit Ticket

Why does the U.S. government intervene in the economy? (E6)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A.</td>
<td>to compete with private firms</td>
</tr>
<tr>
<td>B.</td>
<td>to limit foreign trade</td>
</tr>
<tr>
<td>C.</td>
<td>to promote the general welfare</td>
</tr>
<tr>
<td>D.</td>
<td>to restrict the banking industry</td>
</tr>
</tbody>
</table>