

CHAPTER
3
SECTION 1

GUIDED READING AND REVIEW

Benefits of Free Enterprise

2

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?

The four key characteristics of the free enterprise system are the profit motive, legal equality, private property rights, and voluntary exchange.

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

Consumers can express their wishes by making economic choices about what they buy and they can join interest groups.

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

The Constitution protects private property rights and contract rights.

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

The government protects the public interest through requiring public disclosure and by passing laws to protect the environment.

Reviewing Key Terms

Directions: Define each term. Use complete sentences.

5. private property rights Private property rights are the principle that people have the right to do what they want with their possessions.

6. legal equality Legal equality is the principle that all people have the same legal rights.

7. eminent domain Eminent domain is the government's right to take private property for public use.

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 macroeconomics and microeconomics.
2. One way of looking at the economy as a whole is to study the gross domestic product (GDP).
3. The government has three goals as it tries to strengthen the economy: high employment, growth, and stability.
4. To help economic growth, the government cuts taxes or increases spending.
5. One important way to increase productivity is to improve technology.
6. The government encourages innovation by granting patents and copyrights.

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 Innovation often leads to products becoming **out of date**. obsolescence
9. Americans' **commitment to labor** results in high productivity. work ethic

Terms
• work ethic
• obsolescence
• business cycle

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? A public good is a shared good or service that would be difficult to make people pay individually. Roads and bridges are two examples of public goods.

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

2. When the government builds roads, what is the benefit? What is the cost? Benefit: Our society needs roads for the transportation system to function. Cost: Individuals give up the economic freedom to decide which roads get built.

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? A property owner fixes up a run-down house, benefits her neighbors by raising their property values.
4. What is an example of a negative externality? A new highway creates increased traffic noise for the people who live near it.

Reviewing Key Terms

Directions: Define each term. Use complete sentences.

5. public sector The public sector is the part of the economy that involves government services.
6. free rider A free rider is someone who benefits from a public good even though he or she is not willing to pay for it.
7. market failure A market failure is a situation in which the free market does not distribute resources efficiently.

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 donations 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. funding 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