

Chapter 3 Study Guide

Name: _____ Period: _____

1. What are the basic principles (7) of free enterprise?
2. What are the basic roles (2) of the consumer in a free enterprise system?
3. What are the basic roles (2) of the government in a free enterprise system?
4. What constitutional guarantees underlie the American free enterprise system?
5. What are some of the opportunity costs of a greater government role in the economy?
6. What is the usual length of the business cycle?
7. What are the three main outcomes of public policy aimed at economic stability?
8. What is the requirement for raising living standards for new generations?
9. What are the two indicators of economic stability?
10. What are government-provided incentives for innovation?
11. How does gross domestic product (GDP) provide a means to analyze economic growth?
12. What does GDP tell economists about business cycles?
13. Give one example of a new technology that has resulted in greater productivity for the U.S.?

Main Idea: In some situations, the free market does not efficiently distribute resources.

14. What is an example of something self-interest would not motivate consumers to provide?
15. Why might this public good be unreasonable to expect from private providers?

Main idea: Cost is an important factor in determining whether a good or service is produced as a public good.

16. How does this factor relate to individuals?
17. How does this factor relate to society?

Main idea: A good or service can generate positive or negative side effects for people who do not pay for or produce them.

18. What is an example of a positive side effect?
19. What is an example of a negative side effect?
20. Fill in the following chart as you read section 4 of the chapter.

| Tax-Supported Safety Nets | | |
|---------------------------|------------------|--|
| Program or Program Area | Form of Aid | Recipients |
| 1. TANF | | |
| 2. Social Security | | |
| 3. | | Workers who are laid off or lose their job |
| 4. Worker's Compensation | | |
| 5. | Health Insurance | |
| 6. Education | | |

Vocabulary**3.1**

Interest Group

Public Disclosure Laws

Public Interest

3.2

Microeconomics

Macroeconomics

GDP

Business Cycle

3.3

Public goods

Private Sector

Free Rider

Externality (Positive and Negative)

3.4

Poverty Threshold

Welfare

In-Kind Benefits

Cash transfer

Social Security

OSHA