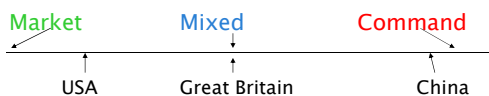


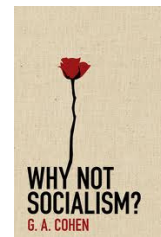
## In Reality...

- ▶ **Mixed Economy:** No economy is pure market, pure command or pure traditional, elements of each appear in all economies, some have more elements of one economy than another.



## American Mixed Economy

- ▶ While the United States is mostly a free market economy, it does have elements of a command economy.



## Features of American Free Market Economy

1. **Economic Freedom:** individuals have the right to choose
2. **Competition:** more than one producer of good/services insures choice
3. **Private Property:** individuals have the right to own their own property, including business



4. **Self-Interest:** individuals make decisions based on what is best for them
5. **Voluntary Exchange:** individuals may freely buy and sell goods
6. **Profit Motive:** individuals are driven by a desire to profit (make money)



## Command Features of Our Economy

1. **Government regulation of some business practices**
  - Ex. Wages, labor hours, safety practice.
2. **Government limits certain choices**
  - Ex. Cannot buy or produce certain goods/services
3. **Government provides aid to the needy**
  - Ex. Medicare, Medicaid, welfare, TANF



## Economic Roles

| <u>Entrepreneur</u>   | <u>Consumer</u>   |
|---|---|
| <ul style="list-style-type: none"> <li>▶ Organizes &amp; manages other factors of production</li> <li>▶ Success is based on profits &amp; growth of business, all of which benefit the economy</li> </ul> | <ul style="list-style-type: none"> <li>▶ Consumer Sovereignty- Power to decide what gets produced.</li> </ul> |

## Government (4)

1. Protector → Enforces laws, product safety, property rights, etc.
2. Provider & Consumer → Govt. is the 2<sup>nd</sup> largest consumer

### What is the Government spending money on?

- National → military
- State → education, parks
- Local → parks, public transportation, libraries

3. Regulator → interstate commerce, communication, environment, & industries (banking, nuclear power, & food)
  - [negative: regulation is costly]
4. Promoter of National Goals → using power to support economic goals.



- ▶ Freedom
  - Choose your occupation, employers, spending
- ▶ Efficiency
  - Using resources wisely to produce the maximum number of goods
- ▶ Equity
  - Equal pay for equal work
  - No false advertisement; "lemon laws"

- ▶ Security
  - Protection from adverse events
- ▶ Full Employment (or High Employment)
  - System should be able to provide maximum number of jobs (ideal unemployment rate 4-6%)
- ▶ Price Stability
  - Stable prices; avoid inflation
- ▶ Growth
  - Needed so people can have more goods & services, and a higher standard of living