



## Section 1: Guided Reading and Review

# Benefits of Free Enterprise

### A. As You Read

As you read Section 1, supply the missing information about the American market system in the spaces provided.

#### Free Enterprise

*Basic principles:*

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_
6. \_\_\_\_\_
7. \_\_\_\_\_

#### Consumer

*Basic Roles:*

8. \_\_\_\_\_
9. \_\_\_\_\_

#### Government

*Basic Roles:*

10. \_\_\_\_\_
11. \_\_\_\_\_
12. \_\_\_\_\_
13. \_\_\_\_\_

### B. Reviewing Key Terms

Complete each sentence by writing the correct key term in the blank.

14. When individuals decide to put their house up for sale, they are exercising their \_\_\_\_\_.
15. Farmers who feel they need a private organization to influence public policy in their behalf might form a/an \_\_\_\_\_.
16. Nutritional values printed on candy wrappers or milk cartons are required under \_\_\_\_\_.
17. The concerns of the public as a whole make up the \_\_\_\_\_.





## Section 3: Guided Reading and Review

# Providing Public Goods

### A. As You Read

As you read Section 3, fill in two supporting facts or details under each main idea by answering each question.

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

1. What is an example of something that self-interest would not motivate consumers to provide?

\_\_\_\_\_

2. 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.

3. How does this factor relate to the individual? \_\_\_\_\_

\_\_\_\_\_

4. 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.

5. What is an example of a positive side effect? \_\_\_\_\_

6. What is an example of a negative side effect? \_\_\_\_\_

### B. Reviewing Key Terms

Match the definitions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

#### Column I

- \_\_\_ 7. shared good or service for which it would be impractical to make consumers pay individually and to exclude nonpayers
- \_\_\_ 8. situation in which the free market does not distribute resources efficiently
- \_\_\_ 9. part of the economy that involves the transactions of the government
- \_\_\_ 10. part of the economy involving transactions of individuals and businesses
- \_\_\_ 11. economic side effect of a good or service that generates unintended benefits or costs to someone other than the person deciding how much to produce or consume
- \_\_\_ 12. someone who would not choose to pay for a certain good or service, but who can still reap the benefits of it anyway if it is a public good

#### Column II

- a. externality
- b. public sector
- c. market failure
- d. public good
- e. free rider
- f. private sector

## Section 4: Guided Reading and Review

# Providing a Safety Net



### A. As You Read

As you read Section 4, supply the missing information in the chart below.

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 jobs
4. Worker's Compensation		
5.	Health insurance	
6. Education		

### B. Reviewing Key Terms

Rewrite each statement below to make it agree with the italicized key term.

7. The most common *in-kind benefits* include food giveaways, food stamps, subsidized housing, and farm aid. \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
8. The government institutes *welfare* programs to improve transportation routes. \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
9. A nation's *standard of living* indicates its level of income distribution. \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
10. The *poverty threshold* is the income level below that which is needed to provide the needs and wants of families or households. \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_