Benefits of Free Enterprise



As a Young Economist, I will be able to...

- Explain the basic characteristics of the U.S. free enterprise system.
- Describe the role of the consumer and the entrepreneur in the American economy.
- Identify the protections in the U.S. Constitution that underlie free enterprise.
- Describe the role of government in the U.S. free enterprise system.

Basic Characteristics of Free Enterprise

The United States strives at allowing entrepreneurs build new businesses

But Consumers play a vital role in our economy



Here are the basic Characteristics of Free Enterprise!

1. Opportunity

Country allows the freedom to innovate & contribute to our overall economic prosperity.

Over 27 million (and counting) businesses in US.
About 7 million are run by minority groups

We have had a tradition of free enterprise & great resources to supply opportunity



2. Incentives

Consumers look for better prices and higher wages. Incentives drive profit!

Sometimes they can be worth money or other types of rewards



Most are positive, but some are negative such as paying less taxes if you work less hours

3. Profit Motive

Drives individuals & businesses to make decisions that improve material well-being

Forces business owners & managers to make choices on what will increase profit

Forces financial discipline & encourages entrepreneurs to take rational risks



4. Competition

Businesses must compete with each other for consumers money

This can lower prices and force companies to make better quality materials!



Open Opportunity- The principle that anyone can compete in the marketplace.

5. Legal Equality

Principle that everyone has the same legal rights.

Maximizes countrys use of human capital

6. Private Property Rights



People have the right to control possessions and use them as them as they wish

7. Economic Freedom

Free Contract- People get to decide what agreements they want to enter into



Voluntary Exchange- Allows consumers & producers to decide what, when, & how they buy & sell

Key Roles in the Free Enterprise System

Role of the consumer- YOU have the choice to make your own economic choices

Interest Groups- Private organization that tries to persuade public officials to act in ways that benefit its members

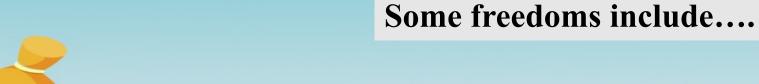
Role of the Entrepreneur- They decide how to combine resources to create new goods & services

They take risks with the consumers to try and turn a profit

Economic Freedom & the Constitution

Patriotism- Love of one's country, benefits the economic freedom of the U.S.

We can spend and make wealth in almost any manner & nation encourages it





Property Rights

The Fifth Amendment protects private property & government should pay compensation for taken land

Land can ONLY be taken for public reason.

Eminent Domain- The right of the government to take private land for public use



Taxation

Constitution spells out how government can tax people & businesses.

Congress can levy taxes to spend on needs



The Sixteenth Amendment allowed Congress to tax income

Contracts

Constitution allows people & businesses to make contracts & legal agreements

Constitution also protects people & organizations can't use political process to be excused from contracts



Limited Role of Government in the Marketplace

Public Interest- The concerns of society as a whole. Such as pollution, medicines, & sanitary conditions

Consumers have the right to be educated on topics



Public Disclosure Laws- Requires companies to give consumers important information about the products or services they offer

Federal Trade Commission requires businesses to be truthful about goods & services

Health, Safety, Wellbeing

Business has limits on their actions in the public interest.

Saftey standards, food conditions, packageing, expirations dates, etc.

The environment has been a major concern since the development of the EPA in 1970



Individuals & businesses are subject to zoning laws, can only operate in certain areas

Negative Effects of Regulation

The 1960s & 1970s saw a huge demand for protection & the creation of several new government agencies

Regulation can be costly & slow to implement & some businesses think it stifles competition



This is a debate we still see in our current state and national governments