

The Goals of the Nation

READER'S GUIDE

Terms to Know

- economic efficiency
- economic equity
- standard of living
- economic growth

Reading Objectives

1. What are the major goals of a market economy?
2. How can people balance economic rights with economic responsibilities?

COVER STORY

PREAMBLE TO THE CONSTITUTION OF THE UNITED STATES

We, the people of the United States, in Order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defense, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States.



Nations have values, and they set goals for themselves based on those values. The United States is no exception. Its goals are evident in the supreme law of the land—the Constitution—as well as in its government policies and in the actions of people like you. In this section you'll learn how the American economy strives to “promote the general Welfare.”

Goals of Free Enterprise

The United States has a free enterprise, or capitalist, system. Therefore, the major characteristics of a market economy should be evident in its goals. Among the national goals of Americans are freedom, efficiency, equity, security, stability, and growth. Although these goals have ethical, social, and religious elements, let's focus on their economic implications instead.

Economic Freedom The goal of economic freedom is to allow each member of society to make choices. Americans have the highest degree of freedom in the world to start their own businesses, to own private property, to make decisions in the marketplace,

FIGURE 2.8

Economic Freedom Along with the freedom to strive for profit comes the freedom to fail. *What economic choices will you be free to make upon graduating from high school?*



and to pursue other economic choices. People may choose to work nights or part-time, to have several jobs, and to move from place to place in search of work.

Along with this freedom come certain costs as shown in **Figure 2.8**. In particular, individuals must normally accept the consequences of their decisions in our free enterprise system. If an entrepreneur starts a business that fails, for example, the government usually won't help out.

Economic Efficiency Using our limited resources wisely is the goal of **economic efficiency**. Because of scarcity, if the factors of production are wasted, fewer goods and services overall will be produced. We must always be watchful that the costs of our economic actions do not exceed the benefits.

economic efficiency: wise use of available resources so that costs do not exceed benefits



Economic Equity The issue of fairness underscores the goal of **economic equity**. Americans want their economic system to be fair and just. That's why we encourage our policy makers to pass laws such as those dealing with equal pay for equal work, fairness in hiring practices, and help for disabled workers. See **Figure 2.9**.

economic equity: the attempt to balance an economic policy so that everyone benefits fairly

FIGURE 2.9

Economic Equity Laws requiring employers to hire disabled persons and minorities aim to promote economic equity. *What laws do you think should be passed to make our economy more fair? Explain.*

Global Economy

The Cybermarket

Markets exist for just about everything—computers, natural gas, shoes, labor services, and so on. Many markets used to be confined to specific geographical areas. Today the Internet has created a virtual worldwide marketplace for many goods and services. Just consider recorded music. Since the introduction of a secure music standard, those connected to the Internet anywhere in the world can buy and download songs. Information about jobs available anywhere on the earth is also easily found via the Internet. You may answer a job announcement, interview, and be hired without ever leaving your desk! ■

Economic Security Americans understand that making profits often means taking risks. Yet we also want protection against risks beyond our control—accidents on the job, natural disasters, business and bank failures, poverty in old age. Our economic system provides such security through a number of government social programs.

Economic Stability The goal of economic stability seeks to reduce extreme ups and downs in the **standard of living**—the material well-being of an individual, group, or nation. The standard of living is measured by the average value of goods and services used by the average citizen during a given period of time. The United States has more individuals enjoying a high standard of living than almost anywhere in the world.

standard of living: *the material well-being of an individual, group, or nation measured by how well their necessities and luxuries are satisfied*

economic growth: *expansion of the economy to produce more goods, jobs, and wealth*

Economic Growth Economic growth means producing increasing amounts of goods and services over the long term. As the population increases, the economy must also expand in order to provide for additional needs and wants. All nations have economic growth as a goal because it helps meet other goals.

Trade-Offs Among Goals In a world of scarcity, achieving national goals requires trade-offs. For example, any program that provides economic security—Medicare, Social Security, or unemployment compensation—uses resources that could have been directed elsewhere.

A plan of action must be developed in order to accomplish the nation's goals. Such a plan often involves economic policy-making by elected or appointed officials who must face the reality of scarcity. Understanding this will help you realize that not all political desires can be turned into economic reality.

Rights and Responsibilities

The American free enterprise system bestows numerous economic rights and protections on individuals like you. You have

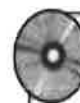
FIGURE 2.10

Economic Responsibility "There is no such thing as a free lunch." This quote, often used in economics, means that nothing is free—including your education. Tax dollars pay for you to learn how to become a productive citizen. *What other economic responsibilities do you have?*

the right to enter into just about any profession or business you want. You have the right to work very little or to become a "workaholic." You have the right to buy those products and brands that you like and to reject all others.

A well-functioning free enterprise system will not continue, however, if individuals do not take on certain economic responsibilities. The first, of course, is to be able to support yourself and your family. As shown in **Figure 2.10**, you have a responsibility to use your education in a reasonable manner that helps you become a productive member of the free enterprise system.

Finally, because government has become such an important part of our economy, individuals in our system have the responsibility of electing responsible government officials. This responsibility requires both the knowledge of possible government policies and the ability to analyze the consequences of those policies.



Practice and assess key skills with *Skillbuilder Interactive Workbook, Level 2.*

SECTION 3 Assessment

Understanding Key Terms

1. **Define** economic efficiency, economic equity, standard of living, economic growth.

Reviewing Objectives

2. **Graphic Organizer** Create a diagram like the one below to list and describe the major goals of a market economy.



3. How can people balance economic rights with economic responsibilities?

Applying Economic Concepts

4. **Economic Goals** How can the goal of economic equity conflict with the goal of economic freedom? Provide an example for your explanation.

Critical Thinking Activity

5. **Summarizing Information** Summarize the goals of the American economy in a photo essay or through song lyrics. Share your presentation with the rest of the class. Ask class members to identify the goals evident in your presentation.