

FREE ENTERPRISE:

THE MARKET SYSTEM, DEMAND, AND SUPPLY

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Outcomes: Students will

1. List and explain five main principles of the U.S. economic system.
2. Understand how the U.S. economic system answers the basic economic questions.
3. Analyze circular flow charts in terms of economic interaction and interdependence of households, businesses, and government.
4. List and analyze the major goals of the U.S. economic system.
5. Define the laws of supply and demand.
6. Determine market price using a demand and supply graph.

Resources

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| A. | Text |
| 1. | Chapter 3, p. 22-37 |
| 2. | Chapter 4, 38-51 |

Outline

- I. main principles of free enterprise
 - A. Adam Smith and *The Wealth of Nations*
 - B. Basic Principles of Capitalism
- II. interaction of consumers and suppliers
- III. Circular flow in the U.S. economy--the role of households, businesses, and government
- IV. national economic goals
 - A. free enterprise growth
 - B. private property stability
 - C. profit motive security
 - D. competition justice
 - E. consumer sovereignty freedom
- V. measuring the economy
 - A. role of economic growth
 - B. Gross Domestic Product (GDP)
- VI. laws of supply and demand
 - A. principle of voluntary exchange
 - B. Demand
 - 1. Law of Demand
 - 2. representing demand in a chart and on a graph
 - 3. Changes in Quantity Demanded v. Changes in Demand
 - 4. Substitution effect
 - C. Supply
 - 1. Law of Supply
 - 2. representing supply in a chart and on a graph
 - 3. Changes in Quantity Supplied vs. Changes in Supply
 - D. Demand and Supply together
- VII. role of prices in a market economy

Vocabulary

Adam Smith
capitalism
circular flow
competition
consumer sovereignty
deficit
demand
demand curve
economic growth
free enterprise
Gross Domestic Product (GDP)
Gross National Product (GNP)
Law of Demand

Law of Supply
market price (equilibrium)
mixed market
national debt
price-directed market economy
profit motive
retailers/wholesalers
substitution effect
supply
supply curve
The Wealth of Nations
wholesalers