

Chapter 17: The American Economy

Why GDP Is Important

1. Measures total output — how productive are our workers
2. Represents income — amount of \$ our workers are making
3. Shows growth of the factors of production
resources needed by business

GDP: average output of products/services we sell in a country
* amount of \$ a nation has

Measuring GDP

- Difficult task due to size of nation
- What goes into the GDP?
 - Consumer spending on goods/services
 - Government spending on goods/services
 - Business investment/growth
 - The amount of exports we have
- What do we lose from the GDP?
 - Imports hurt us...\$ leaves US
 - Black Market

on American
made
goods

- GDP per capita — average wealth of each person
in a nation
- Standard of Living: overall quality of life; GDP is
major component but not only component

Chapter 17-2 & 17-3: Capitalism & Free Enterprise

Capitalism

Free Enterprise

Laissez-Faire Economics

- U.S. economic system

- idea that people should have economic freedom to buy/sell what they want + make economic choices w/ minimal interference from govt.

Features/Characteristics of US Economy

1. Economic Freedom - freedom to buy what we want

2. Markets — use of free market → allowing business to do as they please

3. Voluntary Exchange

↳ businesses + customers have free will to voluntarily trade

4. The Profit Motive

- businesses should care 1st for maximizing profits

5. Competition - drives us to achieve
- increases quality of goods
- lowers prices.

6. Private Property Rights

* belief we can possess our
own identity

Origins of US Capitalism

1. Adam Smith & Wealth of Nations

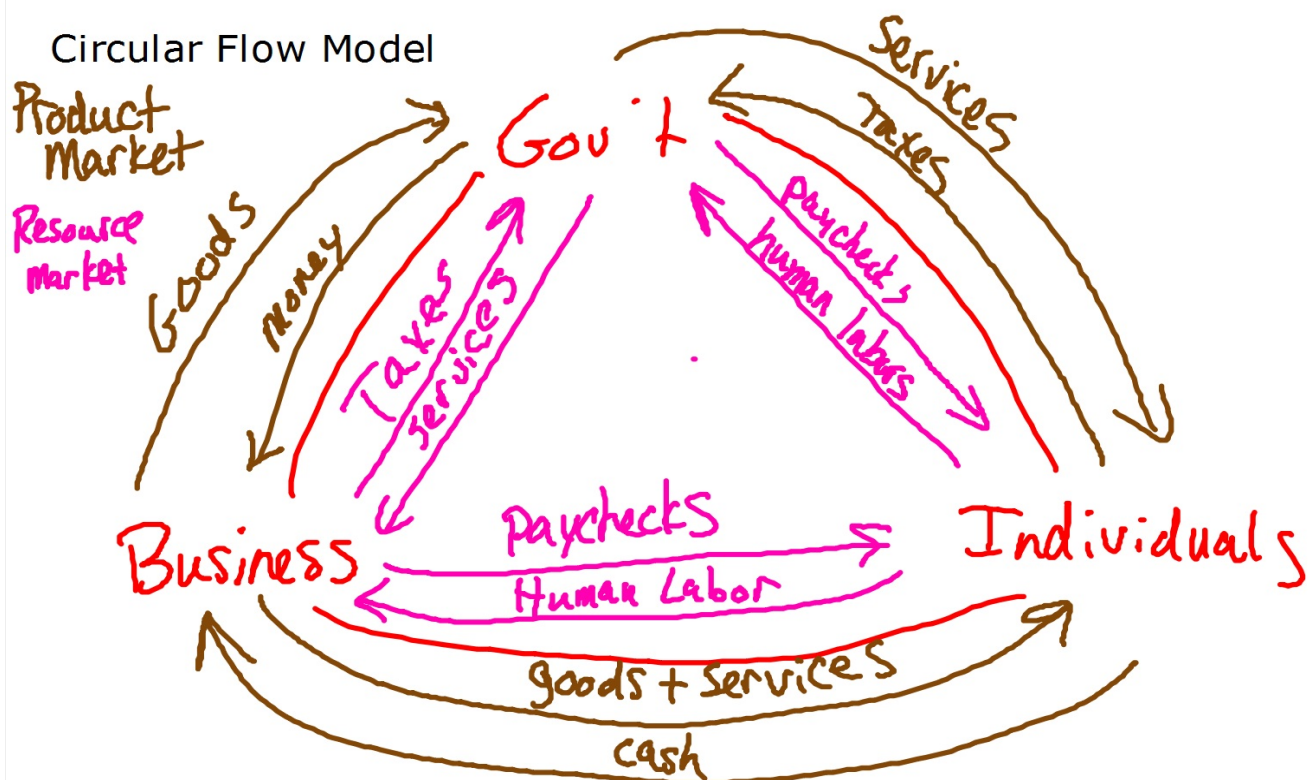
- Self interest → ppl will make choices to help only themselves
- Invisible hand → factor that makes us do good for others

2. Thomas Malthus & David Ricardo--Comparative Advantage

- Englishmen
- All people that have superior abilities should guilt-free use them
- Economic Darwinism

17-2: Economic Flow in the US Economy

Circular Flow Model



Promoting Economic Growth

- All nations attempt to "grow" their economy...what to focus on?

1. Additional Productive Resources

2. Increasing Productivity

3. Encourage specialization

4. Improve the quality of human capital

get us to focus
on one skill



no more
Renaissance
men

How is Socialism different from Capitalism?

- Goal of socialism/communism is to create a **communal society**
- Gov't will own the factors of production
- Gov't heavily regulate key industries
- Loss of economic freedoms
- Belief that the rich endanger the population
- "Robin Hood" mentality

Aspects of American socialism...