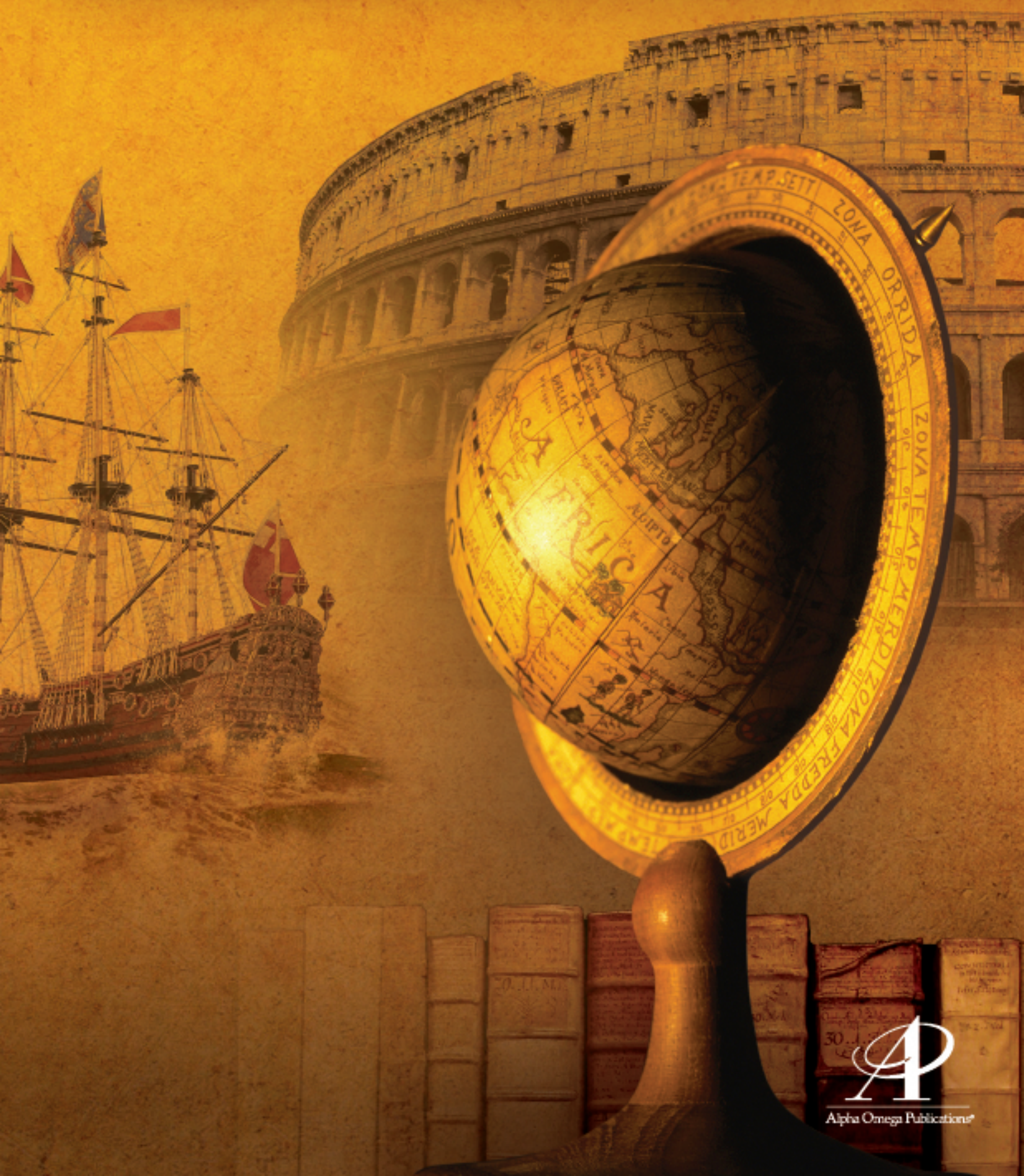




LIFE·PAC®

History & Geography



Alpha Omega Publications®

HISTORY & GEOGRAPHY 1206

FREE ENTERPRISE

CONTENTS

I. ECONOMIC GROWTH AND FREE ENTERPRISE	2
Economics	2
Economic Terms.....	6
How Does an Economy Grow?	9
II. A GUIDE TO LEARNING WORLD FINANCIAL	
TERMS	17
Competition	17
Unions and Labor.....	21
Money: Its Use Through History.....	25
III. INTERNATIONAL FINANCE AND CURRENCY	32
International Finance	32
U.S. Currency in History	36

Author:
Editor:
Illustrations:

Brad Zockoll
Brian Ring
Alpha Omega Staff



Alpha Omega Publications®

804 N. 2nd Ave. E., Rock Rapids, IA 51246-1759

© MM by Alpha Omega Publications, Inc. All rights reserved.

LIFEPAC is a registered trademark of Alpha Omega Publications, Inc.

All trademarks and/or service marks referenced in this material are the property of their respective owners. Alpha Omega Publications, Inc. makes no claim of ownership to any trademarks and/or service marks other than their own and their affiliates', and makes no claim of affiliation to any companies whose trademarks may be listed in this material, other than their own.

HISTORY 1206

ECONOMICS

Mr. and Mrs. Brittingham are discussing some important decisions to make about the purchase of a new car. Mr. Brittingham wants to purchase a Dodge Prowler®, but Mrs. Brittingham argues that their **budget** can only afford the purchase of a Ford Escort®. They spend a week shopping around and finally settle on a Chrysler Sebring®. The Brittinghams have just exercised a healthy dose of **economics** in action. We hear of economics on the evening news. We read of it in the newspaper. We hear people talking about it over lunch. Economics plays such a vital role in the thinking of our society, that it is important that every person be aware of it. But what exactly is “economics?” Economics can be best defined as being the science of producing, distributing, and consuming **goods** or products.

OBJECTIVES

Read these objectives. The objectives tell you what you will be able to do when you have successfully completed this LIFEPAAC®.

When you have finished this LIFEPAAC, you should be able to:

1. Explain the implications of economics, including the different types of economic systems.
2. Explain the terms commonly used in the subject of economics.
3. Explain how to manage and maintain an economic system, including the challenges involved.
4. Explain how competition between companies works, and identify key terms used.
5. Explain the history and role of unions.
6. Explain the history, purpose, and influence of money.
7. Explain international finance and how it affects everyone.
8. Give a brief history of United States currency.

Survey the LIFEPAAC. Ask yourself some questions about this study. Write your questions here.

I. ECONOMIC GROWTH AND FREE ENTERPRISE

SECTION OBJECTIVES

Review these objectives. When you have completed this section, you should be able to:

1. Explain the implications of economics, including the different types of economic systems.
2. Explain the terms commonly used in the subject of economics.
3. Explain how to manage and maintain an economic system, including the challenges involved.

VOCABULARY

Study these words to enhance your learning success in this section.

budget	Plans for the use of income and for expenditures for a certain amount of time
capital	Net worth of a business; assets that include cash on hand, machinery, real estate, and buildings
capitalism	The freedom of private enterprise with the opportunity to make a profit and risk a loss financially
communism	A system of total government control over all the financial decisions and operations of the country
consumption	The use of resources
economics	The study of finances, resources, and their responsible uses in society
free enterprise system	The activity of capitalism and the open market of a society
mixed economy	A combination of governmental control and private enterprise.
resources	Available supply; assets on hand
selection	The choice of available resources
supply	Resources that are at hand; available goods

ECONOMICS



Economics involves making wise financial decisions. Should you use some of your savings to buy a magazine subscription or save up for that sports jacket you want? Nobody has all the money or all the **resources** they want, so everyone must make choices in **purchases**. We read of the economic challenges to people all over the world. We study it whenever we read of the Russian woman standing in line for three hours to buy a pound of meat for her family. We see it whenever we watch an American television commercial telling us that a new type of car will make us “feel younger.” Many times we are challenged to make economic decisions between what we want and what we actually need. A need can be defined as the lack of something necessary for one’s existence. For instance, a mother knows her family has a need for food. She wants to make the wisest decisions she can based upon factors such as her household budget, the quality of the supermarket’s food, and the type of meals her family prefers. **Selection** and **consumption** are also dependent upon what is available (supply) and at what cost (price). God’s Word gives high praise to the people who use economics wisely. Proverbs 31 honors the mother who shops carefully (v. 13 and



16), trades wisely (v. 18), and stocks the household pantry (v. 15). Proverbs 28 condemns those who cheat to get wealthy (v. 6 and v. 8) and those who are obsessed with wealth (v. 20), but compliments the man who works at his job diligently (v. 19).

Economic challenges occur to countries as well as families. In this section we will study the different types of economic systems used throughout the world.

Have you ever visited a farmer's market? In your area of the country you may be able to find a farmer's market doing a brisk business during the weekends. Farmers haggle prices with customers while pickups loaded with anything from watermelons to fresh flowers pull in with their best wares for sale. That is an example of **capitalism** at work. Countries such as the United States and Canada exercise the capitalistic system, which is also called the **free enterprise system**. It is the combination of sellers and buyers who do business, free from government interference. Nobody forces the seller to sell at a certain price. For instance, if Willman's Pharmacy feels it can bring more customers into its store by dropping the price of aspirin by 5 cents a bottle, it has the freedom to do so. Consequently, if Breeland's Pharmacy across town wishes to be competitive with Willman's Pharmacy by giving a two-for-one sale on hair spray, it is free to make that decision. The American government will not force Breeland's and Willman's to sell all of their aspirin and hair spray at the same price. In the 1700s the Scottish economist Adam Smith wrote of the need for basic economic freedoms which eventually became the building blocks for capitalism. He stressed the importance of letting people pursue a **profit** in business; they can see what **consumers** want. Even though our country does have more government restrictions than Adam Smith would have liked, we have the basics of the free enterprise system in the U.S. Free enterprise, or capitalism, allows the individual to own **capital**. Capital can be business offices, airlines, and housing developments.

A second type of economic system is known as the *mixed economy*. Great Britain is an example of a country with a mixed economy. In a mixed economy, the government has control over such industries as railroads and coal mines. Although many industries are privately owned, major corporations may be run by the government. The average person has some input in economic decisions, though not as much as in a free enterprise system. The citizens may base their election voting for candidates on new economic challenges and policies facing the nation. The voting may even help decide how much control the government will have in future years.

The third type of economic system is called *communism*, which is the extreme in government control. Not only does the government decide how much goods will cost, it will also decide what is going to be produced and how much of it will be produced. The shoe store in town will be given the amount of material, the price at which it can be sold and the number of shoes to be assembled in one month. The Soviet Union of decades past was a picture of communism in failure; the government could not keep the goods and **services** in a healthy balance to meet the **supply** and demand of the nation. Cuba is a contemporary example of a communistic economic system. In this type of system, the citizen has virtually no voice in telling the government what they need. As described by Karl Marx in the *Communist Manifesto*, the government takes control of land, communication, transportation, and banking, among other things. The economy is at the mercy of the government from every angle.

THINK ABOUT IT...

Some nationally known companies which claim Christian values and support Christian works include PAX TVSM and Chik-Fil-A[®]. Can you think of any others?



Helper Check

Initial

Date

THINK ABOUT IT...

Pretend you were given the right to create a government for an economically depressed nation in order to get it back on its financial feet. Would you choose a *free enterprise system*, a *mixed economy*, or *communism*? How much government control would you want to exert in order to make the economy strong? Discuss the answer with your parents or a fellow classmate.



Helper Check

Initial

Date



Match each word with its correct definition.

- | | | | |
|-----|-------|-------------|--|
| 1.1 | _____ | economics | a. available supply; assets on hand |
| 1.2 | _____ | resources | b. the use of resources |
| 1.3 | _____ | budget | c. the study of finances and their responsible uses in society |
| 1.4 | _____ | selection | d. resources that are at hand, available goods |
| 1.5 | _____ | consumption | e. plans for the use of income and expenditures for a certain amount of time |
| 1.6 | _____ | supply | f. the wise choice of available resources |