

GUIDE TO READING

Section Preview

In this section, you will learn how economic freedom, economic security, and economic equity are related to the level of satisfaction people have with their economic systems.

Content Vocabulary

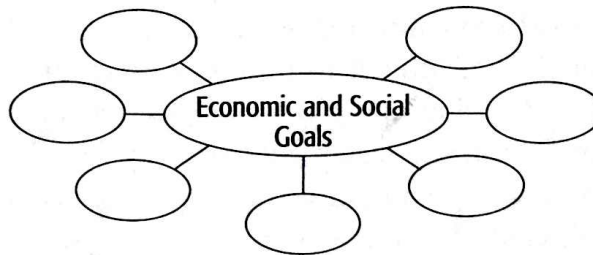
- minimum wage (p. 44)
- Social Security (p. 45)
- inflation (p. 45)
- fixed income (p. 45)

Academic Vocabulary

- adverse (p. 45)
- accommodate (p. 46)

Reading Strategy

Differentiating As you read the section, identify seven major economic and social goals by completing a graphic organizer like the one below.



COMPANIES IN THE NEWS

—Newsweek

Fruits That Go Fizz

Schoolkids in Oregon are trying something new at lunch: carbonated fruit that the Fizzy Fruit Co. hopes will lead to effervescent profits. Founder Galen Kaufman discovered his product when he ate a pear that had been stored in dry ice, which is made of carbon dioxide. The pear was fizzy and sweet, and ever since, Kaufman's been trying to commercialize the idea.

Not a few exploded kitchen experiments later, Kaufman has found his market. School-lunch supplier Sodexo has been serving the fruit in a pilot project at 14 Oregon schools, and it is expected to be in about 500 schools nationally by next month. Fizzy Fruit will also soon be sold in vending machines and at convenience stores. The trick is in the packaging. Because the fruit loses its fizz within about 20 minutes of being exposed to air (think of a soda bottle left uncapped), it's got to be wrapped tight. ■



When Galen Kaufman discovered that fruit could fizz, he made it his goal to market the idea. Economic systems also have goals. These goals provide a way to guide economic decisions. They can also help people measure how well the system is working to meet its goals.

If our economic system fails to achieve our goals, we may decide to seek changes. We could demand laws to modify the system until our needs are met. In the United States, efforts to meet our economic and social goals have caused the economy to evolve slowly over time.

Economic and Social Goals

MAIN Idea Americans share several major economic and social goals.

Economics & You As you approach graduation, what kinds of goals have you set for your future? Read on to learn about the economic goals of the nation.

In the United States, people share many broad economic and social goals. While it might be difficult to find all of our goals listed in any one place, they are repeated many times in statements made by friends, relatives, community leaders, and elected officials. We can categorize those statements into seven major economic and social goals.

Economic Freedom

Americans traditionally place a high value on the freedom to make their own economic decisions. They like to choose their own occupations, employers, and uses for their money. Business owners like the freedom to choose where and how they

W produce. The belief in economic freedom, like the belief in political freedom, is one of the cornerstones of American society.

Economic Efficiency

C Most people recognize that resources are scarce and that factors of production must be used wisely. If resources are wasted, fewer goods and services can be produced and fewer wants and needs can be satisfied. Because economic decision making must be efficient, economic efficiency is also one of our major goals.

Economic Equity

Americans have a strong tradition of justice, impartiality, and fairness. Many people, for example, believe in equal pay for equal work. As a result, it is illegal to discriminate on the basis of age, sex, race, religion, or disability in employment. At the national level, we have established the **minimum wage**—the lowest legal wage that can be paid to most workers. While not everyone supports it, the minimum wage does put a floor on the amount of income that some workers earn.



Most people believe that advertisers should not be allowed to make false claims about their products. Many states even have “lemon laws” that allow new car buyers to return cars with too many defects.

Economic Security

Americans desire protection from such **adverse** economic events as layoffs and illnesses. As a result, many states have set up programs to help workers who lose their jobs through no fault of their own, and many employers have insurance plans to cover the injuries and illnesses of their workers. At the national level, Congress has set up **Social Security**—a federal program of disability and retirement benefits that covers most working people.

More than 90 percent of all American workers participate in the Social Security system. Retirees, survivors, disabled persons, and Medicare recipients are eligible for benefits. Survivors are spouses and children of deceased persons covered by Social Security. Medicare also provides health insurance for persons 65 or older.

Full Employment

When people work, they earn income by producing goods and services for others. Without jobs, people cannot support themselves or their families, nor can they produce output for others. As a result, most people want their economic system to provide as many jobs as possible. The goal of full employment even became law when Congress passed the Employment Act of 1946 in an effort to avoid the widespread joblessness before World War II.

Price Stability

Another goal is to have stable prices. If **inflation**—a rise in the general level of prices—occurs, workers need more money to pay for food, clothing, and shelter. People who live on a **fixed income**—an income that does not increase even though prices go up—find that bills are harder to pay and planning for the future is more difficult.

Did You Know?

➔ **On Easy Street?** The earliest reported recipient of Social Security was Ernest Ackerman, a retired Cleveland motorman. Ackerman retired one day after the Social Security program began. In return for the nickel withheld from his pay for this one day, he received a lump-sum payment of 17 cents, barely higher than the smallest payment ever of 5 cents. Such lump sum payments were made until 1942, with an average payment of \$58.06. Ida May Fuller from Ludlow, Vermont, became the first recipient of monthly Social Security benefits.

High rates of inflation can even discourage business activity. During times of inflation, interest rates on loans tend to increase along with the prices of goods and services. If interest rates get too high, they can discourage both borrowing and spending by businesses. Price stability adds a degree of certainty to the future for businesses and consumers alike.

Economic Growth

The last major goal of most Americans is economic growth. Most people hope to have a better job, a newer car, their own home, and a number of other things in the future. Overall growth enables more people to have more goods and services. Because the nation’s population is likely to increase, economic growth is necessary to meet everyone’s needs.

Future Goals

The seven goals we have discussed so far are the ones on which most people seem to agree. As our society evolves, however, it is possible for new goals to develop. Do people feel that a cleaner environment is important enough to be added to the list of goals? Should we add the preservation of endangered species such as the California Channel Islands fox? In the end, we are the ones who decide on the goals that are most important to us, and it is entirely possible that our goals could change in the future.

Social Security
federal program of disability and retirement benefits that covers most working people

inflation rise in the general level of prices

fixed income
income that does not increase even though prices go up

✓ **Reading Check** **Interpreting** What major themes can you identify in the list of seven economic goals?

Resolving Trade-Offs Among Goals

MAIN Idea Conflicts among goals can be solved by comparing the cost of a goal to its benefit.

Economics & You You learned earlier about trade-offs when deciding how to spend a monetary gift of \$100. Read on to find out how trade-offs also apply to economic goals.

People often have different ideas about how to reach a goal, or the goals themselves might conflict. Even our economic policies have opportunity costs.

For example, a policy that keeps foreign-made shoes out of the United States could help achieve the goal of full employment in the domestic shoe industry, but it could work against individual freedom if people have fewer choices of shoes to buy.

Even an increase in the minimum wage involves a conflict of goals. On one hand, supporters of the increase argue that an increase is the equitable, or "right," thing to do. Opponents argue that an increase may cause fewer workers to be hired. In addition, it restricts the freedom of employers to pay wages that they think are fair.

How are trade-offs among goals resolved? In most cases, people compare their estimate of the costs to their estimate of the benefits, and then vote for political candidates who back their position. If the majority of voters feel that the minimum wage is too low, then it will be raised. The minimum wage then tends to stay at this new level until the majority of people feel that it needs to be changed again.

People, businesses, and government are usually able to resolve conflicts among goals. Fortunately, the economic system of the United States is flexible enough to allow choices, **accommodate** compromises, and still satisfy the majority of Americans.

In a democratic society, government reflects the will of a majority of its people. As a result, many government functions reflect people's desire to modify the economic system to achieve their economic goals. A program such as Social Security, as well as laws dealing with child labor and the minimum wage, reveal how Americans have modified their free enterprise economy. This system most likely will undergo further change as the goals and objectives of the American people change.

Reading Check **Explaining** Why do trade-offs among goals exist?

SECTION

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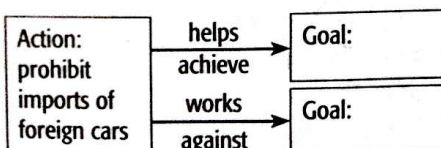
Review

Vocabulary

1. **Explain** the significance of minimum wage, Social Security, inflation, and fixed income.

Main Ideas

2. **Explain** why it is important for a nation to set economic and social goals.
3. **Determining Cause and Effect** Use a graphic organizer like the one below to illustrate how economic and social goals may conflict with one another.



Critical Thinking

4. **The BIG Idea** How does an increase in the minimum wage involve a conflict of goals?
5. **Inferring** What can Americans do to influence the economic goals of the nation?
6. **Applying** How do laws against false or misleading advertising promote the goal of economic equity?

Applying Economics

7. **Economic Security** Interview a friend or relative who is retired or approaching retirement to find out if he or she believes the government has achieved the goal of economic security for its senior citizens, and why. Write a paragraph to describe these views and explain why you agree or disagree with them.