

AP
Economics
Capitalism and Free
Enterprise

Capitalism

- Capitalism- a system in which people like you and me own our own labor, and the property, equipment, and other resources to make money.

Characteristics of a Free Enterprise Economy

1. Economic freedom
2. Voluntary exchange
3. Private property and freedom to enter into contracts
4. Profit motive

Economic Freedom

- **You are free to:**
 - Choose your job
 - Choose where and when you work
 - Work for yourself or someone else
 - Leave your job and to move to another job
- **Businesses are free to:**
 - Choose which workers they want
 - Figure out how much business they want to do

Voluntary Exchange

- **People and businesses want to do business with each other. Nobody makes them do it.**
- **When people and businesses do business, they are made better off.**

Private Property and Freedom to Enter into Contracts

- People have the right to do what they want with their own property.
- Private property gives people the motivation to work hard, save their money and invest.
- Private property motivates people to get ahead in life.
- Contracts are agreements made between people to buy and sell.
- Contracts can be written or spoken, but either way we are legally bound to keep our agreements.

Profit Motive

- People are free to risk what they already own in order to make even more money.
- The chance at becoming rich makes many people become entrepreneurs.
- *Profit-*
 - how much better off a person or business is after a period of time.
- *Profit Motive-*
 - the force that makes people and businesses want to get more money

The Role of the Entrepreneur

- **The entrepreneur brings together people, resources and equipment to make a profit.**
- **Entrepreneurs motivate the economy by always coming up with new ideas and ways of doing things.**
- **Because of all the money that entrepreneurs make, this makes other people want to go into business and compete, making all of us better off.**

The Role of the Consumer

- **Consumers are people like you and me who buy things and pay for services.**
- **We, the consumers, rule the free enterprise economy.**
- **Our choices decide what is made, bought and sold in the economy.**
- **CONSUMER SOVEREIGNTY**

The Role of the Government

- Protector

- The government makes and enforces laws against:
 - False advertising, unclean food and medicine, pollution and unsafe products
- The government enforces laws against discrimination in the work place.
- The government enforces contracts.

- Provider and Consumer

- The government provides products and services that business don't provide, like: schools, roads, an army, and welfare.
- The government is also a consumer because it buys things from businesses, like: fighter jets, aircraft carriers, submarines and tanks.

- Regulator

- The government regulates or makes rules for businesses to follow. For example, the government decides which frequency radio stations can broadcast on. The government also makes rules for running nuclear power plants. And so on and so on.....

Mixed Economy

- **Because the government plays a part in our economy we are not a true free market economy, instead we are called a modified free enterprise economy.**