Civics & Economics - CE.12

Economic Principles and the United States Economy

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CE.12a – Free Enterprise and Democracy

a) evaluate the shared fundamental principles and connection of free enterprise and democracy

The United States is a **free-market** economy, an economy based on **free enterprise** (also called **capitalism**), where **private individuals and businesses** make most economic decisions.

In a **free enterprise** system:

- Businesses **compete** for customers.
- **People can choose** their jobs and how to spend their money.
- Prices are determined by **supply and demand**.

Connection to Democracy:

- Both **democracy** and **free enterprise** value **individual choice** and **freedom**.
- Just as democracy allows people to **choose their leaders**, free enterprise allows people to choose what to **produce, sell, and buy**.

CE.12b – Components of the U.S. Economy

b) describe the critical components of the United States economy, such as limited government, private property, markets, consumer sovereignty, and competition

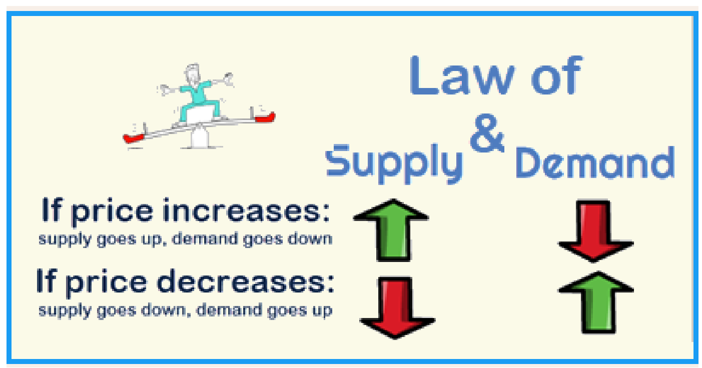
Key features of the **U.S. economy** include:

- **Limited Government** – The government's role is mainly to enforce laws, protect property rights, and promote competition.
- **Private Property** – Individuals and businesses can own and use property as they wish.
- **Markets** – Places (physical or online) where buyers and sellers exchange goods and services.
- **Consumer Sovereignty** – Consumers decide what is produced by what they choose to buy.
- **Competition** – Businesses compete to offer the best products at the best prices, which helps improve quality and keep prices reasonable.

CE.12c – Inflation, Supply, and Demand

c) explain the concept of inflation and the effect of supply and demand on consumer prices in a market economy

Inflation – A general **rise in prices** over time, which reduces the purchasing power of money.



Supply and Demand:

- **Law of Demand** – As **prices go up**, people **buy less**; as prices **go down**, people **buy more**.
- **Law of Supply** – As **prices go up**, sellers are willing to **produce more**; as prices **go down**, sellers **produce less.**

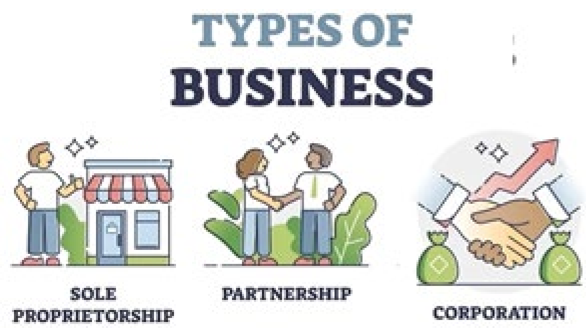
- When supply and demand change, consumer **prices** adjust.

Example: A poor harvest can reduce supply of apples, making prices rise.

CE.12d – Types of Business Organizations & Entrepreneurship

d) describe the types of business organizations and the role of entrepreneurship

Three main types:



- **Proprietorship** – One person owns the business, keeps all profits, but has unlimited liability.
- **Partnership** – Two or more people share ownership and responsibilities.
- **Corporation** – A business that is a separate legal entity from its owners, sells stock to raise money, and has limited liability for shareholders.

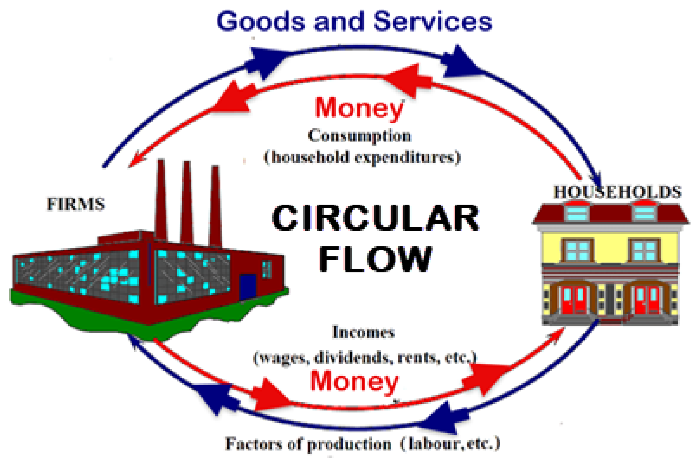
Entrepreneurs:

- People who **take risks** to start businesses.
- They bring together resources, create products, and drive **innovation**.
- Important in all three business types.

CE.12e – Consumers, Producers, and Government Interactions

e) explain the role of consumers, producers, and government interactions on the economy

- **Consumers** – Decide **what to buy**, influencing what is produced.
- **Producers** – Make **goods** and **services** to meet demand.
- **Government** – **Sets rules**, **protects** consumers and workers, and sometimes provides **goods or services** that markets don't (like national defense, public schools).



All three interact in a **circular flow**:

- Resources, goods, and services flow **one way**.
- Money flows the **other way**.

CE.12f – Financial Institutions

f) explain how financial institutions are critical to creating capital to fuel economic growth for individuals and the larger economy by channeling funds from savers to borrowers through lending

Banks, credit unions, savings and loan associations, and other institutions:

- Connect **savers** (people who deposit money) with **borrowers** (people or businesses that need money).
- Provide **capital** for businesses to expand and hire workers.
- Offer **services** like checking accounts, savings accounts, loans, and credit.

CE.12g – Virginia in the U.S. and Global Economies

g) analyze the role of Virginia in the United States and global economies, with an emphasis on the effect of technological innovations

Virginia's Role:

- **Exports agricultural products** (like poultry, soybeans).
- Produces **ships**, **technology**, and **defense**-related goods.
- Hosts major **government** and **military** facilities.

Specialization:

- Virginia and the U.S. focus on producing goods and services **they do best**, then **trade** with others for what they lack.

Technological Innovations:

- **Increase efficiency** and allow Virginia businesses to **compete** globally.
- **Example:** Advanced shipping technology at the Port of Virginia speeds up trade worldwide.