

Activity 1

Broad Social Goals

Economic Efficiency refers to how well scarce productive resources are allocated to produce the goods and services people want and how well inputs are used in the production process to keep production costs as low as possible.

Economic Equity means what is “fair.” Economic actions and policies have to be evaluated in terms of what people think is right or wrong. Equity issues often arise in questions dealing with the distribution of income and wealth. Some people judge equity based on providing equal opportunity. Others judge based on equality of outcomes.

Economic Freedom refers to such things as the freedom for consumers to decide how to spend or save their incomes, the freedom of workers to change jobs and join unions, and the freedom of individuals to establish new businesses or close old ones.

Economic Growth refers to increasing the production of goods and services over time. Economic growth is measured by changes in the level of real gross domestic product (GDP). A target annual growth rate of 3 to 4 percent in real GDP is generally considered to be reasonable and sustainable.

Economic Security refers to protecting consumers, producers, and resource owners from risks that exist in society. Each society must decide from which uncertainties individuals can and should be protected, and whether individuals, employers, or the government should provide or pay for this protection.

Economic Stability refers to maintaining stable prices and full employment and keeping economic growth reasonably smooth and steady. Price stability means avoiding inflation or deflation. Full employment occurs when an economy’s scarce resources, especially labor, are fully utilized.

Activity 4

Broad Social Goals in Command and Market Economies

Broad Social Goals	In Command Economies	In Market Economies
Economic Efficiency	Resource allocation established by central planners. State-owned businesses are often inefficient but rarely allowed to fail.	Most allocation decisions made by consumers and producers in markets. Extensive specialization and international trade increase productivity and competition.
Economic Equity	Wages often set by government to provide greater equality of income. Opportunities for moving or changing jobs are limited, so jobs may not make use of individuals' skills and abilities.	Equality of opportunity, people are free to make own decisions on how to use their resources and capabilities but no guarantee of success. Income depends on the value of labor and other resources an individual has to sell.
Economic Freedom	Government ownership of most capital and land resources, many decisions made by central planners.	Private ownership of all kinds of resources is allowed, and individual freedom and control of resources is highly valued.
Economic Growth	Growth targets set by central planners who assign output quotas for different firms. Weak incentives to reduce waste. Plant facilities and equipment maintenance often a problem.	Incentives for individuals and businesses to produce more and avoid waste encourage efficient use of resources. Specialization, investment in capital and workers' education and training, and trade encourage higher levels of output.
Economic Security	Pensions, jobs, income, housing, and health care provided or guaranteed by the government.	Generally, individuals are responsible for their own health care, retirement benefits, housing, and income. But there are some government programs to reduce risks and provide increased economic security such as assistance for low-income families, unemployment compensation, social security, and government job training programs.
Economic Stability	No unemployment, prices usually set below market price to ensure that goods are sold, which controls official measures of inflation.	Some unemployment is tolerated, income depends on the resources an individual has to sell, the federal government uses monetary and fiscal policies to reduce unemployment and inflation and encourage economic growth.

Activity 5

Creating Public Policies

Public Policy Issues

- All citizens are entitled to adequate health care.
- Smoking should be banned from all public places.
- Textile manufacturers are asking for a tariff on imported clothing.

Working with your group, select one of the above issues and complete the following assignment:

- Create a public policy (a law, regulation, or government program) to address the issue.
- State which broad social goal or goals* the public policy is attempting to achieve, but also explain how implementing the policy might interfere with achieving another goal or goals.
- State in which type of economic system (market or command/central planning) this policy is more likely to be implemented and explain why.

*** Economic freedom, efficiency, security, stability, equity, and growth – or add other goals if they are especially important for the policy you develop.**