

Roles & Responsibilities Free Enterprise Economy

Chapter 3

Lesson 2

The Role of the Entrepreneur

- **Entrepreneurs** are important because they are willing to take risks to start new businesses, so they become the catalyst of the free enterprise economy.
- Most entrepreneurs fail
 - but some survive and a few even become wealthy.
- Successful entrepreneurs attract other firms to the industry, eventually leading to new products, greater competition, more production, higher quality, and lower prices.



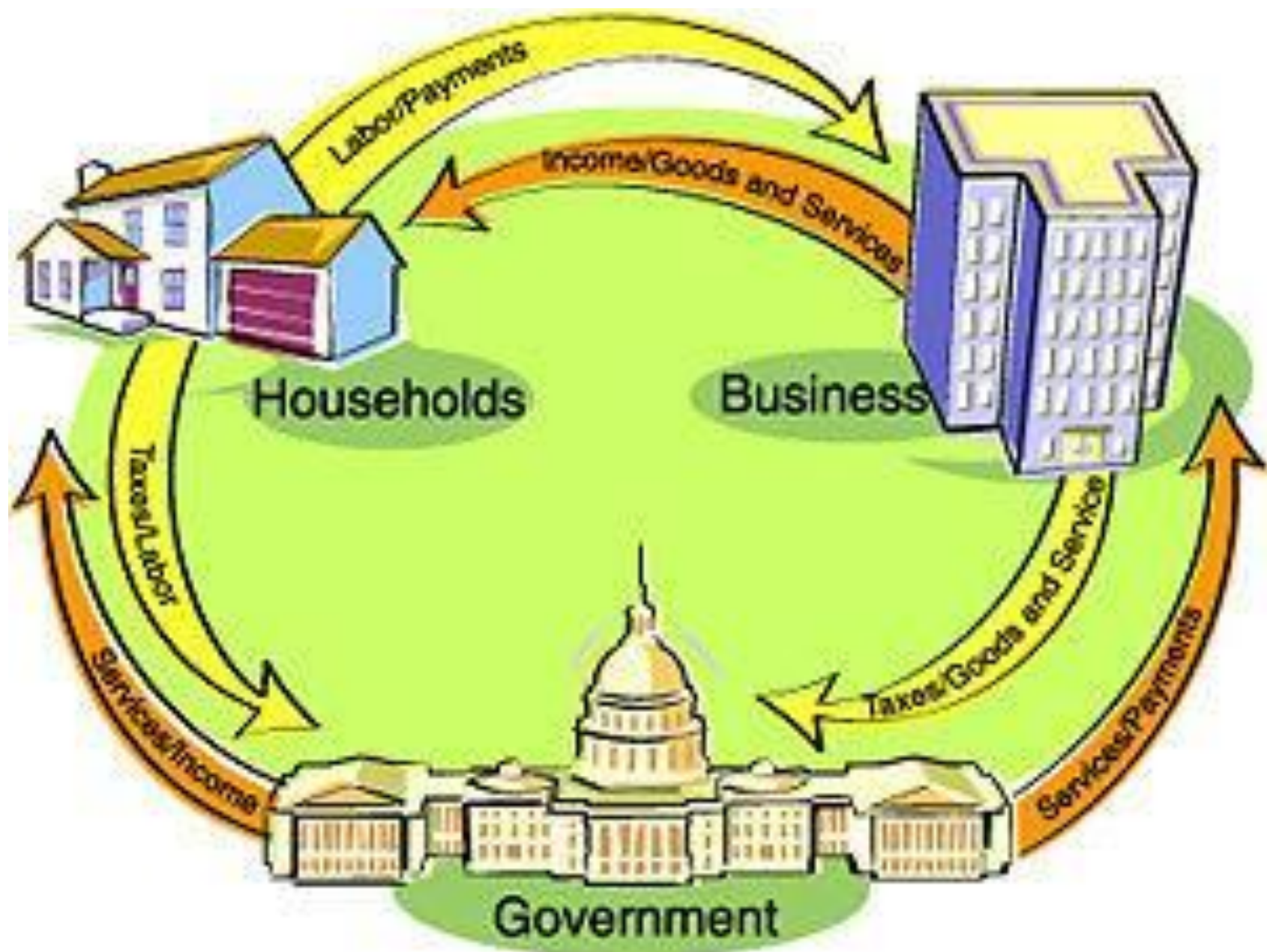
The Role of the Consumer

- **Consumers** ultimately determine WHAT to produce.
- The term **consumer sovereignty** reflects the idea that the consumer rules the market.
- Consumers play an important role in the American free enterprise economy because their spending helps determine what is, and is not, produced.



The Role of Government

- Government has become involved in the American free enterprise system because its citizens want it that way.
- Government passes laws to help protect citizens from false advertising, unsafe food and drugs, environmental hazards, and unsafe products.
- All levels of government provide **goods** and **services** for citizens
 - Education, highways, public welfare, and many others.
- Government regulates economic activity to help preserve competition in the marketplace.
- Government spends more than all private businesses combined, so it has become a huge consumer in the marketplace.



Mixed or Modified Free Enterprise

- In a **mixed or modified free enterprise economy**, people and businesses carry out their economic affairs freely, but are subject to some government intervention and regulation.
- The question of how much government involvement is necessary is one of the great unsolved questions of our times.
- The American system is a mixed or modified free enterprise economy because the majority of the people want it that way.

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