

Introduction

People in their economic roles are free to make choices. People make economic choices they believe offer them the most benefits. There are six pillars of the free enterprise system.

Source: <https://slideplayer.com/slide/7866671/>

1. Private Property

- Private Property is the resources and products owned by individuals or businesses.
- Public Property refers to the resources and products owned by the government.
- "Property" describes land, buildings, machines, tools, natural resources, even miscellaneous items.
- The right is protected by the U.S. Constitution.
- Can choose to use as you wish, but also bear the responsibility for it (maintain and take care of it).

2. Specialization

- The process in which businesses and people focus on producing one or few parts of an entire product.
- Specialization allows a business to increase the amount it produces and sells.
- Contributes to higher wages and profits.
- Everyone is not responsible for doing all things.

3. Voluntary Exchange

- Specialization leads to voluntary exchange, people willingly buy and selling all the things they want from the economy because they do not have the time/resources to do it themselves.
- Without specialization, individuals would have to do without many useful and expected products and services.

4. Price System

- The price system uses monetary prices as a message system to facilitate exchanges between buyers and sellers.
- Prices are messengers
- When buyers make a purchase, they use the price as a guide of the value of the item.
- Prices communicate to businesses how willing customers are to purchase the product
- Prices are incentives
- Increasing prices encourages businesses to increase production of that product (high prices lead to bargain shopping which leads to reducing prices)

4. Price System (cont)

- Falling prices encourage business to reduce production of that product

Six Pillars of Free Enterprise

6 PILLARS OF THE FREE ENTERPRISE SYSTEM

- Private Property
- Specialization
- Voluntary Exchange
- The Price System
- Market Competition
- Entrepreneurship

5. Market Competition

- Competition among businesses is called Market Competition. It takes two forms.
- Competition in resource markets
- Resources are land, labor, capital used to make products and services
- Competition in product markets
- All the products that consumers buy

6. Entrepreneurship

- It is the motivation that drive business leaders to compete and react to changing conditions in the market. Entrepreneurs take risks with their time and money in innovating ideas and products, knowing they might fail.
- In the U.S., the economy operates with limited government involvement. Since citizens can own property and make most of the decisions, entrepreneurs do very well.

Promise of Free Enterprise

Video: <http://youtu.be/xSMd4BuuXB8>

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