

# Lesson 3: Free Enterprise

## Vocabulary

**private property** something owned by individual people or groups

**economy** system for making and distributing goods and services

**free enterprise** an economic system in which people are free to start their own businesses and own their own property

**profit** the money a business has left after it has paid all its costs

**supply** the amount of a product that is available

**demand** the amount of a product that people are willing to buy

**export** a good that one country sells to another country

**import** a good that one country buys from another country

**consumer** a person who buys or uses goods and services

**entrepreneur** a person who starts a new business, hoping to make a profit

## How Free Enterprise Works

The U.S. **economy** is based on a system called **free enterprise**. Free enterprise lets Americans start their own businesses. Free enterprise also allows us to own **private property**, such as cars. Under this system, business owners may choose what they want to sell and how much to sell it for. Business owners generally want to make a **profit**. Prices for goods are based on **supply** and **demand**. Prices go up when demand is high and supply is low. This happens when many people want to buy something that is hard to get. Prices go down when demand is low and supply is high. This happens when few people want to buy something that is easy to get. The United States trades many goods with other countries. The United States **imports** goods such as motor vehicles, electrical machinery, clothing, and computers and office machinery from other countries. The United States **exports** goods such as electrical machinery, motor vehicles, farm products, and computers and office machinery to other countries.

## Benefits of Free Enterprise

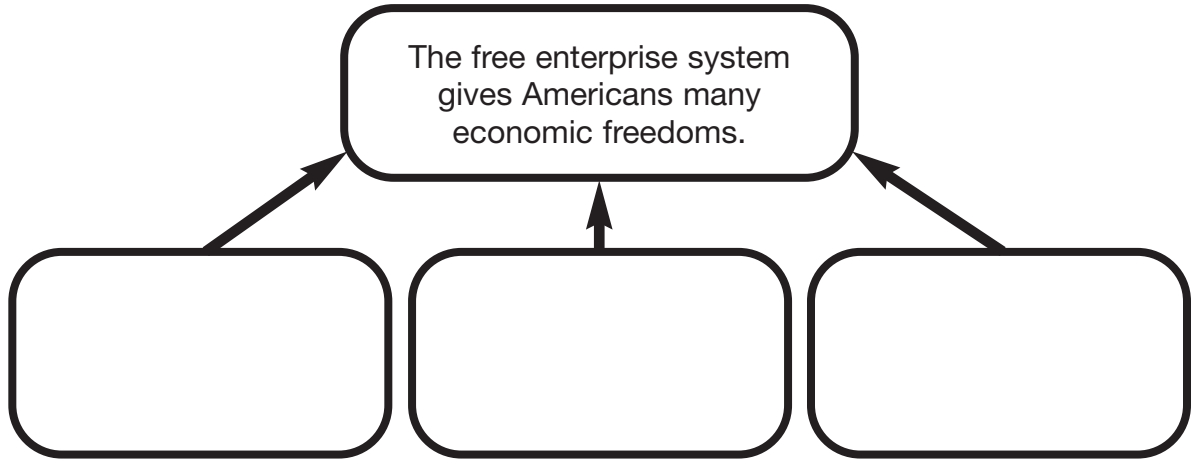
**Consumers** are people who buy or use goods and services. They can choose between many different products. They also may decide how to spend their money. Inventors also benefit from free enterprise. If they make inventions that people want to buy, then the inventors will make money. Thomas Edison was an inventor. Someone paid him a large amount of money for one of his inventions. With this money, Edison set up a laboratory where he worked on more inventions. Free enterprise also helps people who want to start businesses and make a profit. These people are called **entrepreneurs**. In 1906 Madam C. J. Walker started a beauty products business. She made and sold shampoo and other products. Walker became a millionaire.

## Opportunities Today

There are many jobs to choose from in the United States. You will read about some of them. You may get an idea about what kind of work you might like to do!

# Lesson 3: Review

1.  **Main Idea and Details** Fill in details of economic freedoms that Americans have.



2. How do supply and demand affect prices in a free enterprise system?

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3. How did Thomas Edison benefit from the free enterprise system?

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4. Name three goods that the United States both imports and exports.

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5. **Critical Thinking: Decision Making** What decisions do you think Madam C. J. Walker had to make to start her business? Use the decision-making steps on page H5 of your book.

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