

Fundamental political principles define and shape American constitutional government. (CE.2a)

What are the fundamental political principles?

Consent of the governed - People are the source of any and all governmental power

Limited government - Government is not all-powerful and may do only those things people have given it the power to do

Rule of law - The government and those who govern are bound by the law, as are those that are governed

Democracy - In a democratic system of government, the people rule

Representative government - In a representative system, people elect officeholders to make laws and conduct government on their behalf

American constitutional government is founded on concepts articulated in earlier documents. (CE.2b)

How does the Constitution of the United States of America reflect previous documents?

Document	Influence on Constitution
<i>Charters of the Virginia Company of London</i>	<ul style="list-style-type: none"> Rights of Englishmen guaranteed to colonists
<i>Virginia Declaration of Rights</i>	<ul style="list-style-type: none"> Served as a model for the Bill of Rights of the Constitution of the United States of America
<i>Declaration of Independence</i>	<ul style="list-style-type: none"> Stated grievances against king of Great Britain Declared colonies' independence from Great Britain Affirmed "certain unalienable rights" (life, liberty, and the pursuit of happiness) Established the idea that all people are equal under the law
<i>Articles of Confederation</i>	<ul style="list-style-type: none"> Established first form of national government for independent states Maintained that major powers resided with individual states Weakness of central government (e.g., no power to tax or enforce laws); led to the writing of the Constitution of the United States of America
<i>Virginia Statute for Religious Freedom</i>	<ul style="list-style-type: none"> Stated freedom of religious beliefs and opinions
<i>Constitution of the United States of America and Bill of Rights</i>	<ul style="list-style-type: none"> Established the structure of the United States government Guaranteed equality under the law with majority rule and the rights of the minority protected Affirmed individual worth and dignity of all people Protected the fundamental freedoms of religion, speech, press, assembly, petition

The Preamble to the Constitution of the United States of America begins "We the People," which establishes that the power of government comes from the people. (CE.2c) **The Preamble sets forth the goals and purposes to be served by the government -**



The Preamble expresses the reasons the constitution was written.

- To form a more perfect union
- To establish justice
- To ensure domestic tranquility
- To provide for the common defense
- To promote the general welfare
- To secure the blessings of liberty

How can the Constitution of the United States be amended? (CE.2d)

The constitutions of Virginia and the United States can be amended through processes outlined in the constitutions:

Constitution of the United States

The amendment process is complex. To date, there are 27 amendments. Proposal - action by Congress or convention

Ratification - by the states

Constitution of Virginia

The Virginia constitution has been rewritten several times. Proposal - action by General Assembly or convention

Ratification - by voters of Virginia

A citizen is an individual with certain rights and duties under a government and who, by birth or by choice, owes allegiance to that government.

How does an individual become a citizen? (CE.3a)

- 14th Amendment defines citizenship: "All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and the state wherein they reside."

Means of obtaining citizenship: (1) birth and (2) naturalization

To become a citizen through naturalization, a person must demonstrate knowledge of American history and principles and the ability to read, speak, and write words in ordinary usage in the English language.

Immigration and naturalization, particularly in the twentieth century, have led to an increasingly diverse society.

The Constitution of the United States of America establishes and protects the citizens' fundamental rights and liberties. Few rights, if any, are considered absolute.

What fundamental rights and liberties are guaranteed in the First and Fourteenth Amendments to the Constitution of the United States of America? (CE.3b)

First Amendment freedoms

Religion - Government may not establish an official religion, endorse an official religion, or unduly interfere with the free exercise of religion

Speech - Individuals are free to express their opinions and beliefs

Press - The press has the right to gather and publish information, including that which criticizes the government

Assembly - Individuals may peacefully gather

Petition - Individuals have the right to make their views known to public officials

Fourteenth Amendment

Due Process - Extends the due process protection to actions of the states



Duties of all citizens (CE.3c)

For government to be effective, citizens must fulfill their civic duties.

Citizens who choose not to fulfill these civic duties face legal consequences.

- Obey laws
- Pay taxes
- Serve in the armed forces, if called
- Serve on a jury or as a witness in court when summoned

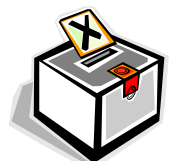


What are ways individuals demonstrate responsible citizenship? (CE.3d)

A basic responsibility of citizenship is to contribute to the common good.

Civic responsibilities are fulfilled by choice; they are voluntary.

- Register and vote
- Hold elective office
- Participate in political campaigns
- Keep informed regarding current issues
- Serve in voluntary, appointed government positions
- Respect others' right to an equal voice in government
- Communicate with government officials to influence government actions



In what ways do citizens to participate in community service? (CE.3e)

Civic and social duties address community needs and serve the public good.

A democratic society requires the active participation of its citizens.

- Volunteer to support democratic institutions (e.g., League of Women Voters)
- Express concern about the welfare of the community as a whole (e.g., environment, public health and safety, education)
- Help make community good place to work and live (e.g., by becoming involved with public service organizations, tutoring, volunteering in nursing homes)

Political parties play a key role in government and provide opportunities for citizens to participate in the political process.

Functions of political parties (CE.5a)

1. Recruiting and nominating candidates
2. Educating the electorate about campaign issues
3. Helping candidates win elections
4. Monitoring actions of officeholders

A two-party system characterizes the American political process.

Similarities between political parties (CE.5b)



- Organize to win elections
- Influence public policies
- Reflect both liberal and conservative views
- Define selves in ways that win majority support by appealing to political center



Differences between parties

- Stated in a party's platform and reflected in campaigning

Third parties (CE.5b)

Although third parties rarely win elections, they can play an important role in public politics.

- Introduce new ideas or press for a particular issue
- Often revolve around a political personality (e.g., Theodore Roosevelt)

Voters evaluate information presented in political campaigns to make reasoned choices among candidates. (CE.5c)

Strategies for evaluating campaign speeches, literature, and advertisements for accuracy:

1. Separating fact from opinion
2. Detecting bias
3. Evaluating sources
4. Identifying propaganda

The media play an important role in the political process -

1. Identifying candidates
2. Emphasizing selected issues
3. Broadcasting different points of view
4. Writing editorials, creating political cartoons, publishing op-ed pieces



Running for political office is expensive (CE.5d)

How has the high cost of getting elected changed campaigning for public office?

Rising campaign costs



- Require candidates to conduct extensive fund-raising activities
- Limit opportunities to run for public office
- Give an advantage to wealthy individuals who run for office

- Encourage the development of political action committees (PACs)
- Give issue-oriented special interest groups increased influence

Campaign finance reform

- Rising campaign costs have led to efforts to reform campaign finance laws
- Limits have been placed on the amount individuals may contribute to political candidates and campaign

Thoughtful and effective participation in civic life depends upon the exercise of good citizenship. (CE.4a-g)

Personal traits of good citizens include practicing:

- Trustworthiness and honesty
- Respect for the law
- Responsibility, accountability, and self-reliance
- Courtesy and respect for the rights of others
- Patriotism
- Participation in the school and/or local community
- Participation in elections as an informed voter

How do individuals demonstrate thoughtful and effective participation in civic life?

- ⇒ formulating questions
- ⇒ analyzing information from a variety of sources
- ⇒ expressing a position
- ⇒ devising and implementing a plan
- ⇒ Practicing thoughtful decision making in personal, financial, and civic matters (e.g. voting, civic issues)

Voter Registration and Participation (CE.5e)

Voting is a basic responsibility of citizenship. Voter registration is required before a citizen may vote. Only citizens who register can participate in primary and general elections.

Qualifications to register to vote in Virginia

- Citizen of the United States
- Resident of Virginia and precinct
- At least 18 years of age by day of general election

Register in Virginia in person at the registrar's office, at the Division of Motor Vehicles, or at other designated sites or by mail-in-application

- Voter registration is closed 22 days before elections. The number of citizens who register and vote is related to how important election issues are to citizens.



Factors in predicting which citizens will vote:

- Education
- Age
- Income

Why citizens fail to vote:

- Lack of interest
- Failure to register

The percentage of voters who participate in presidential elections is usually greater than the percentage of voters who participate in state and local elections.

Every Vote is Important!

Electoral College (CE.5f)

Process used to select the president and vice president

- A slate of electors for each state chosen by popular vote
- Most states have a winner-take-all system
- The electors meet to vote for president and vice president
- The winner-take-all system leads to targeting of densely populated states for campaigning; although candidates must pay attention to less populated states whose electoral votes may make difference in tight elections.

The number of electors of each state is based on the state's Congressional representation, which is based on the state's population.

The requirement for a majority vote to win in the Electoral College favors a two-party system.

All citizens can learn the importance of the individual's participation in the political process either through direct involvement in campaigns or through simulations. (CE.5g)

Student participation in the democratic process can include

1. Participating in campaigns
2. Participating in classroom and online simulations

The Constitution of the United States defines the structure and powers of the national government. (CE.6a)

The powers held by government are divided between the national government in Washington, D.C., and the governments of the 50 states.

Legislative, executive, and judicial powers of the national government are distributed among three distinct and independent branches of government.



Checks and Balances (CE.6b)

Each of the three branches of the national government limits the exercise of power by the other two branches.

The Legislative Branch:



- The Congress checks the President when legislators - override Presidential vetoes
- impeach/convict a president

- The Congress checks the courts when legislators - confirm or refuse to confirm judges/justices
- impeach and convict judges or justices

The Executive Branch:



- The President checks Congress when the President - proposes legislation;
- prepares an annual budget

- for Congress to approve;
- call special sessions of Congress;
- vetoes legislation Congress has passed.

- The president checks the courts when the president appoints judge/justices.

The Judicial Branch:



- The courts check Congress when judges /justices declare acts of Congress to be unconstitutional.

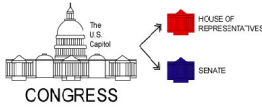
- The courts check the President when judges/justices declare executive actions to be unconstitutional.

What is the structure of the national government as set out in the US Constitution?

Legislative Branch

The Congress is a bicameral legislature consisting of the House of Representatives (435 members based upon population) and the Senate (100 members, two per state)

- Makes the laws of the nation
- Approves the annual budget
- Confirms presidential appointments
- Raises revenue through taxes and other levies
- Regulates interstate and foreign trade
- Declares war



Executive Branch

Headed by the president of the United States, the chief executive officer of the nation

- Executes the laws of the land
- Prepares annual budget for congressional action
- Appoints cabinet officers, ambassadors, and federal judges
- Administers the federal bureaucracy

The executive branch plays a key role in the policymaking process.



Judicial Branch

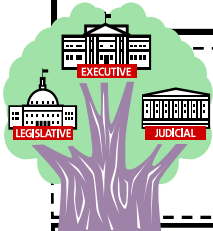


- Consists of the federal courts, including the Supreme Court, the highest court of the land
- The Supreme Court exercises power of judicial review
- The federal courts try cases involving federal law and questions involving interpretation of the Constitution of the United States.

Separation of Powers (CE.6b)

The powers of the national government are separated among three branches of government in ways that limit any one branch from abusing its power.

The Constitution of the United States (Articles I, II, III,) defines the powers of the legislative, executive and judicial branches of the national government.



Explaining and/or Simulating the Lawmaking Process (CE.6c)

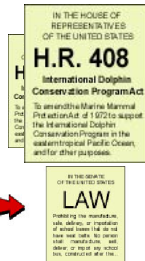
Officials who are elected to serve in the national legislature make laws. National laws are made by Congress. All citizens can learn the importance of the individual's participation in the policymaking process through direct participation and simulations.

Types of legislative powers

1. Expressed: Specifically listed in the Constitution of the United States
2. Implied: Used to carry out expressed powers

How does a bill become a law in Congress?

- Introducing a bill by a Senator or Representative
- Working in committees
- Debating the bill on the floor of each house
- Voting on a bill in each house
- Sending the bill to the president to sign into law



⇒ Elected officials in Congress write laws and take action in response to problems or issues.

⇒ Individuals and interest groups help shape legislation.

⇒ The formal powers of Congress are limited by the Constitution of the United States.

⇒ Citizens (including students) learn the importance of the legislative process through direct involvement and/or simulations.

Roles and powers of the Executive Branch of the national government (CE.6d)

The executive branch plays a key role in the policymaking process. Cabinet departments, agencies, and regulatory groups interpret and execute the laws.

Presidential power is broad in both domestic and foreign affairs, but there are limits on what the president can and cannot do.

Ways the executive branch influences policymaking

1. Proposing legislation in an annual speech to Congress (State of the Union Address)
2. Appealing directly to the public
3. Approving or vetoing legislation
4. Appointing officials who carry out the laws

The power of the president has grown in the years since the Constitution was ratified.

What are the roles and powers of the president?

- Chief of State** - Ceremonial head of government
- Chief Executive** - Head of executive branch
- Chief Legislator** - Proposer of legislative agenda
- Commander-in-Chief** - Head of nation's armed forces
- Chief Diplomat** - Architect of American foreign policy
- Chief of Party** - Leader of the political party that controls executive branch
- Chief Citizen** - Representative of all of the people





The form of government of the Commonwealth of Virginia is established by the Virginia Constitution. (CE.7a)

What is the structure of the Virginia state government?

Legislative, executive, and judicial powers are separated at the state level of government. The Virginia Constitution distributes power among three branches of government:

1. The **legislative** branch is the General Assembly, a bicameral legislature (House of Delegates and Virginia Senate), that meets annually for a fixed number of days.
2. The **executive** power is exercised by the governor, who is elected for a 4-year term of office. The governor appoints members of the cabinet who oversee specific functions of government. The lieutenant governor and attorney general are executive branch officers who are elected to a four-year term.
3. The **judicial** power is exercised by a court system that consists of four levels of courts:
 - Supreme Court
 - Court of Appeals
 - Circuit courts
 - District courts (including small claims courts and juvenile and domestic relations courts)





The Constitution of the United States of America establishes the principle of federalism, which is the division of power between the states and the national government. (CE.7b)

The expansion of the national government's powers into areas traditionally reserved to the states has altered the relationship of states to the national government. State tensions exist when federal mandates require state actions without adequate funding.

How does the Constitution of the United States of America outline the division and sharing of powers between the national and state governments?

- ◆ The Constitution of the United States of America establishes a federal form of government in which the **national government is supreme**.
- ◆ The powers not given to the national government by the Constitution of the United States of America are **reserved** to the states.
- ◆ The Constitution of the United States of America **denies** powers to both the national and state governments

Primary Responsibilities of Each Level of Government

National Government	State Government
 <p>Conducts foreign policy</p>  <p>Regulates commerce</p> <p>Provides for the common defense</p>	 <p>Promotes public health</p>  <p>Promotes safety</p> <p>Promotes welfare</p>

Virginia General Assembly (CE.7c)

Members of the Virginia General Assembly are elected to make laws.

Elected officials in the Virginia General Assembly write laws and take action in response to problems or issues. Individuals and interest groups help shape legislation.



How does the Virginia General Assembly make laws?

The lawmaking process in the Virginia General Assembly includes

- ◆ Introducing a bill
- ◆ Working on Committees
- ◆ Debating the bill on the floor of each house
- ◆ Voting on a bill in each house
- ◆ Sending the bill to the governor to sign into law

The primary issues in legislative process at the state level include

- **Education:** To promote an informed and engaged citizenry (i.e., establish minimum standards for local schools)
- **Public health:** To promote and protect health of citizens (i.e., fund health benefits)
- **Environment:** To protect natural resources (i.e., improve water quality in the Chesapeake Bay)
- **State Budget:** To approve a biennial (two year) budget prepared by the governor
- **Revenue:** To levy and collect taxes

All citizens can learn the importance of the individual's participation in the policymaking process through direct participation and simulations.



The executive branch enforces the laws and plays a key role in the policymaking process. (CE.7d)

The Governor of Virginia exercises the formal powers granted by the Virginia Constitution.

What are the roles and powers of the executive branch at the state level?



In carrying out both the formal and informal powers of the office, the Governor fills several roles, including

- chief of state
- chief legislator
- chief administrator
- party chief
- commander-in-chief



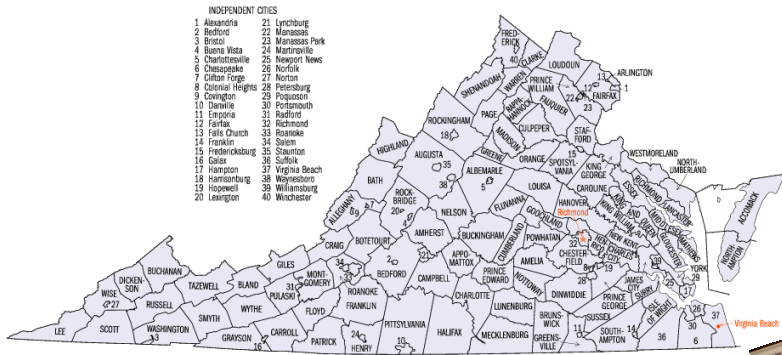
Cabinet secretaries and departments, agencies, commissions, and regulatory boards

- administer laws
- enforce the laws
- regulate aspects of business and the economy
- provide services

The units of local governments in Virginia are political subdivisions created by the General Assembly. (CE.8a)

What are the units of local government in Virginia, what officials are locally selected, and what are local government powers?

The units of local government in Virginia are counties, towns, and cities. Local governments exercise legislative, executive, and judicial powers.



Ordinances - Local Laws (CE.8c)
Counties, cities, and towns adopt and enforce ordinances to provide services for their residents.

How do localities enact ordinances?
County: An elected **board of supervisors** is responsible for passing laws (**ordinances**) for the county.

City/Town: An elected **council** is the local legislative body in independent cities and incorporated towns.

Individuals have the greatest influence on the decisions made by local government officials.

All citizens can learn the importance of the individual's participation in the law-making process through direct participation and simulations.

The media informs policymakers and influences public policy. (CE.9a)



Counties

Each Virginia county has an elected **board of supervisors**, which exercises legislative powers, enacting ordinances (local laws) and adopting an annual budget.

Each Virginia county and city has an elected or appointed **school board**, which oversees the operation of the K-12 public schools in the county or city.

Towns

Each Virginia incorporated town has an elected **town council**, which exercises legislative powers, enacting ordinances and adopting an annual budget. A **mayor** is elected either by the voters or the town council members.

Cities

Each Virginia city has an elected **city council**, which exercises legislative powers, enacting ordinances and adopting an annual budget. A **mayor** is elected either by the voters or the city council members.

Manager

In Virginia counties, towns, and cities a **manager** may be hired by the elected legislative branch to oversee the operations of the local government.

Courts

In every Virginia locality, courts resolve judicial disputes.

Judges of the following courts hear cases in each locality:

- ◆ **district** courts
- ◆ **circuit** courts
- ◆ **juvenile and domestic relations** courts
- ◆ **small claims** courts

Constitutional Officers

The Virginia Constitution requires that voters in every locality elect a **sheriff**, a **clerk of the circuit court**, a **commissioner of revenue**, and a **treasurer**.

The authority of local governments in Virginia is derived from the state.

All powers of local government in Virginia are given to them by the Constitution of Virginia and the acts of the General Assembly. (CE.8b)

Not all counties and cities are given the same powers. Cities have charters listing their powers.

Local governments exercise defined and limited powers, including the power to

1. enforce state and local laws
2. promote public health
3. protect public safety
4. educate children
5. protect the environment
6. regulate land use
7. levy and collect taxes



All citizens can learn the importance of the individual's participation in the lawmaking process through direct participation and simulations.

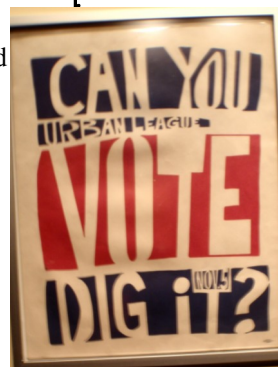
What influence does the media have on public policy and policymakers?

Ways media play an important role in setting the public agenda

- ◆ Focusing public attention on selected issues
- ◆ Offering a forum in which opposing viewpoints are communicated
- ◆ Holding government officials accountable to the public

Government officials use the media to communicate with the public.

How do individuals and interest groups influence policymakers? (CE.9b)



Lobbying: Seeking to influence legislators to introduce or vote for or against a bill

Ways individuals influence public policy

- ◆ Participating in politics (voting, campaigning, seeking office)
- ◆ Expressing opinions (lobbying, demonstrating, writing letters)
- ◆ Joining interest groups



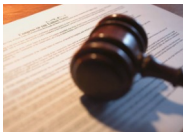
Ways interest groups influence public policy

1. Identifying issues
2. Making political contributions
3. Lobbying government officials

Local governments may be required to formulate, adopt, and implement public policies in response to international issues and events such as (CE.9c)

1. Public health concerns in the event of a pandemic
2. Public safety in the event of an act of terrorism
3. Economic development policies in response to the emerging global economy
4. Policies to protect the government (e.g. wildlife protection)

The judicial function is exercised in a dual court system, which consists of state courts and federal courts. (CE.10a)

 <p style="text-align: center;">United States Court System</p> <p>The United States has a court system whose organization and jurisdiction are derived from the Constitution of the United States and federal laws.</p>	 <p style="text-align: center;">Virginia Court System</p> <p>Virginia, like each of the other 49 states, has its own separate court system whose organization and jurisdiction are derived from Virginia's constitution and state laws.</p>
<p>United States Supreme Court (Justices/no jury)</p> <ul style="list-style-type: none"> • Appellate jurisdiction • Limited original jurisdiction 	<p>Virginia Supreme Court (Justices/no jury)</p> <ul style="list-style-type: none"> • Court of final appeal (Appellate jurisdiction) • Limited original jurisdiction
<p>United States Court of Appeals (Judges/no jury)</p> <ul style="list-style-type: none"> • Appellate jurisdiction 	<p>Court of Appeals of Virginia (Judges/no jury)</p> <ul style="list-style-type: none"> • Appellate jurisdiction to review decisions of circuit courts
<p>United States District Court (Judge with or without jury)</p> <ul style="list-style-type: none"> • Original jurisdiction 	<p>Circuit Court (Judge and with or without jury)</p> <ul style="list-style-type: none"> • Original jurisdiction for felony criminal cases and for certain civil cases • Appellate jurisdiction from district courts
	<p>General District Court and Juvenile and Domestic Relations District Court (Judge/no jury)</p> <ul style="list-style-type: none"> • Original jurisdiction for misdemeanors in civil cases involving lower dollar amounts and original jurisdiction in juvenile and family cases



Judicial Review (CE.10b)

The power of judicial review is an important check on the legislative and executive branches.

The supreme courts of United States and Virginia determine constitutionality of laws and acts of executive branch of government. This is called judicial review.

Marbury v. Madison established the principle of judicial review at the national level.

- The Constitution of the United States is the supreme law of land.
- State laws must conform to Virginia and United States constitutions.

How are criminal and civil cases similar and different?
Courts resolve two types of legal conflicts - criminal and civil (CE.10c)

Criminal Law

In a criminal case, a court determines whether a person accused of breaking the law is guilty or not guilty of a misdemeanor or a felony.

Civil Law

In a civil case, a court settles a disagreement between two parties to recover damages or receive compensation.



Procedure for criminal cases

- A person accused of a crime may be arrested if the police have probable cause.
- The accused may be committed to jail or released on bail.
- The case proceeds to an arraignment where probable cause is reviewed, the defendant may be appointed an attorney, and a plea is entered.
- A court date is set and a trial is conducted.
- A guilty verdict may be appealed.

Procedure for civil cases

- The plaintiff files a complaint to recover damages or receive compensation.
- Cases can be heard by judge or jury.
- Case can be appealed.

Due Process: The constitutional protection against unfair governmental actions and laws. (CE.10d)

The right to due process of law is outlined in the 5th and 14th Amendments to the Constitution of the United States of America.

How do the due process protections ensure justice?

The 5th Amendment prohibits the national government from acting in an unfair manner

The 14th Amendment prohibits state and local governments from acting in an unfair manner

The Supreme Court has extended the due process clause to protect the guarantees of the Bill of Rights.

Economic Terms (CE.11a)

People make choices about how to use limited resources, determine the ownership of resources, and structure markets for the distribution of goods and services.

How do people deal with scarcity, resources, choice, opportunity cost, price, incentives, supply and demand, production, and consumption?

Scarcity - the inability to satisfy all wants at the same time. All resources and goods are limited. This requires that choices be made.

Resources - factors of production that are used in the production of goods and services. Types of resources are natural, human, capital, and entrepreneurship.

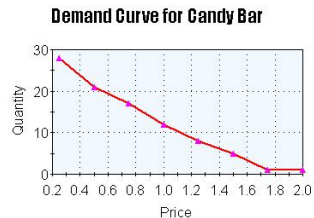
Choice - selecting an item or action from a set of possible alternatives. Individuals must choose/make decisions about desired goods and services because these goods and services are limited.

Opportunity cost - what is given up when choice is made - highest valued alternative forgone. Individuals must consider value of what is given up when making a choice.

Price - amount of money exchanged for a good or service. Interaction of supply and demand determines price. Price determines who acquires goods and services.

Incentives - things that incite or motivate. Incentives are used to change economic behavior.

Supply and demand is interaction of supply and demand determines price. **Demand** is amount of a good or service that consumers are willing and able to buy at a certain price. **Supply** is amount of a good or service that producers are willing and able to sell at a certain price.



Production is the combining of human, natural, capital, and entrepreneurship resources to make goods or provide services. Resources available and consumer preferences determine what is produced.

Consumption is using goods and services. Consumer preferences and price determine what is purchased and consumed.

Characteristics of major economic systems (CE.11b)

Every country must develop an economic system to determine how to use its limited resources. The key factor in determining the type of economy is the extent of government involvement.

Three Basic Questions of Economics

Each type of economy answer the three basic questions differently:

1. What will be produced?
2. Who will produce it?
3. For whom will it be produced?

No country relies exclusively on markets to deal with the economic problem of scarcity

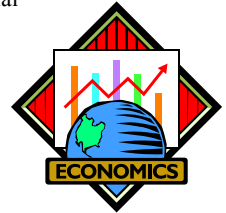
Basic Characteristics of Economic Systems

Traditional Economy:

- Economic decisions are based on custom and historical precedent
- People often perform the same type of work as their parents and grandparents, regardless of ability or potential

Free Market:

- Private ownership of property/resources
- Profit motive
- Competition
- Consumer sovereignty
- Individual choice
- Minimal government involvement in the economy



Command Economy:

- Central ownership (usually by the government) of property/resources
- Centrally-planned economy
- Lack of consumer choice

Mixed Economy:

- Individuals and businesses as owners and decision makers for private sector
- Government as owner and decision maker for the public sector
- Government role is greater than in free market economy, less than command
- Most economies today (including the United States) are mixed economies.

Characteristics of the United States economy (CE.11c)

The United States economy is primarily a free market economy, but because there is some government involvement it is characterized as a mixed economy.

Government intervenes in a market economy when the perceived benefits of a government policy outweigh the anticipated costs.



Markets - are allowed to operate without undue interference from the government. Prices are determined by supply and demand as individual buyers and sellers interact in the marketplace.

Private property - Individuals and businesses have right to own personal property as well as means of production without undue interference from government.

Profit - consists of earnings after all expenses have been paid.

Competition - Rivalry between producers/sellers of a good or Service results in better quality goods and services at a lower price.

Consumer sovereignty - Consumers determine through purchases, what goods and services will be produced.

Basic types of business ownership (CE.12a)

There are three basic ways that businesses organize to earn profit.



Proprietorship - one owner who takes all the risks and all the profits.



Partnership - two or more owners who share risks and profits.



Corporation - business organization authorized by law to act as a legal person regardless of number of owners. Owners share the profits. Owner liability is limited to investment.

Entrepreneur - person who takes risks to produce goods and services in search of profit. Entrepreneurs may establish a business according to any of the three types of organizational structures.

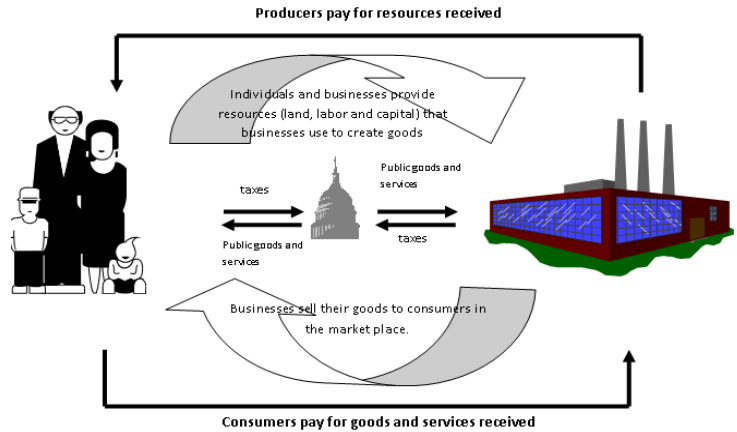


Entrepreneurs play an important role in all three types of business organizations.

Economic flow (circular flow) (CE.12b)

Resources, goods and services, and money flow continuously among household, businesses, and markets in the United States economy.

- Individual and business saving and investment provide financial capital that can be borrowed for business expansion and increased consumption.
- Individuals (households) own resources used in production, sell resources, and use income to purchase products.
- Businesses (producers) buy resources; make products sold to individuals, other businesses, and the government; and use profits to buy more resources.
- Governments use tax revenue from individuals and businesses to provide public goods and services.



Private financial institutions channel funds from savers to borrowers (CE.12c)

Private financial institutions act as intermediaries between savers and borrowers that include households and business investors.

Private financial institutions:

- Include: banks, savings and loans, and credit unions
- Receive deposits and make loans
- Encourage saving and investing by paying interest on deposits



Virginia and the United States pursue international trade in order to increase wealth (CE.12d)

Global economy: World wide markets in which the buying and selling of goods and services by all nations takes place.

Reasons that states and nations trade:

- To obtain goods and services they cannot produce efficiently themselves
- To buy goods and services at a lower cost or a lower opportunity cost
- To sell goods and services to other countries
- To create jobs

Virginia and United States specialize in production of certain goods and services which promote efficiency and growth.

Impact of technological innovations

- Innovations in technology (e.g., Internet) contribute to global flow of information, capital, goods, and services.
- Use of such technology also lowers the cost of production.



How does the government promote and regulate marketplace competition? (CE.13a)

- ◆ Enforcing antitrust legislation to discourage development of monopolies
- ◆ Engaging in global trade
- ◆ Supporting business start-ups

Government agencies that regulate business

- ◆ FCC (Federal Communications Commission)
- ◆ EPA (Environmental Protection Agency)
- ◆ FTC (Federal Trade Commission)

These agencies oversee way individuals and companies do business.

Government provides certain goods and services that individuals and businesses acting alone cannot provide efficiently. (CE.13b)

Characteristics of most goods and services provided by the government

1. Provide benefits to many simultaneously
2. Would not likely be available if individuals had to provide them
3. Include such things as interstate highways, postal service, and national defense.

Ways governments pay for public goods and services: tax revenue; borrowed funds; and fees (e.g., park entrance fees)

Impact of Taxation (CE.13c)

The government taxes, borrows, and spends to influence economic activity.

- Government tax increases reduce funds available for private/business spending; tax decreases increase funds for private and business spending.
- Increased government borrowing reduces funds available for borrowing by individuals and businesses; decreased government borrowing increases funds available for borrowing by individuals and businesses.
- Increased government spending increases demand, may increase employment/production; decreased spending reduces demand, may result in a slowing of the economy.
- Increased government spending may result in higher taxes; decreased government spending may result in lower taxes.

The 16th Amendment to Constitution authorizes Congress to tax personal and business incomes.

The Federal Reserve System is our nation's central bank. (CE.13d)

As the central bank of U.S., the Federal Reserve System:

- has the duty to maintain the value of our currency (dollar)
- regulates banks to ensure the soundness of the banking system and the safety of deposits
- manages the amount of money in the economy to try to keep inflation low and stable
- acts as the federal government's bank.

The US Government passes laws and creates agencies to protect consumer rights and property rights. (CE.13e)

How are consumer rights and property rights protected?

- Individuals have right of private ownership, which is protected by negotiated contracts that are enforceable by law.
- Government agencies establish guidelines that protect public health and safety.
- Consumers may take legal action against violations of consumer rights.

Money is defined as anything that is generally accepted as a method of payment. (CE.13f)

When the US government issues coins and currency, people accept it in exchange for goods and services because they have confidence in the government. Government issues money to facilitate this exchange.

The three types of money generally used in the US are

- coins
- Federal Reserve notes (currency)
- deposits in bank accounts that can be accessed by checks and debit cards.

