

# The American Nation

## Chapter 1 / Section 4

### *Economics and Other Social Sciences*

*If you were growing up in an Iroquois village 300 years ago, you would have depended on the local forests and rivers for all your needs. Americans living on the frontier in the 1800s also relied on what they could raise or hunt themselves.*

#### **I. Three Economic Questions**

The study of how people managed their limited resources to satisfy their wants and needs is called **economics**. Every society must answer **three basis economic questions**: (1) What goods and services should we produce? (2) How should we produce them? (3) For whom should we produce them? The answers to these questions define every society's **economic system**.

#### ***A. What Goods and Services Should We Produce?***

A societies first economic task is to fulfill people's basic needs—**food, shelter, and clothing**. After that, the society must make choices about how to use the rest of its limited resources. Decisions about what to produce vary according to the time and culture. Developing nations are less concerned about producing private automobiles. They are more concerned with building industries that will provide jobs and **improve their quality of life**.

#### ***B. How Should We Produce Goods and Services?***

Even when people agree on what to produce, they must choose **how to produce it and how much of it to produce**. Technology plays a major role in these decisions. For example, in the past, each family grew enough fruits, grains, and vegetables to meet its needs. With the invention of new farm machinery, agriculture changed. Today in the United States, most of the food we eat is grown on **giant mechanized farms** run by large corporations. Advances in technology also changed manufacturing. At one time, most manufactured items were produced by hand in homes or small workshops. Then, the **Industrial Revolution** introduced new methods and machines that

allowed large factories to mass-produce great quantities of manufactured goods.

### *C. For Whom Should We Produce Goods and Services?*

We are all **consumers**, or users of goods and services. However, just as **resources are limited**, supplies of goods and **services are limited**. In past societies, consumers and producers were often the same people. They consumed the goods they produced themselves. Today, we live in a **cash economy**, that is, an economy where we exchange money for goods and services. Your income and wealth determine the goods and services you can consume.

## **II. The American Free Enterprise System**

The economy of the United States is based on an economic principle known as free enterprise. In a **free enterprise** system, the government plays a **limited role** in the economy. Businesses are owned by private citizens. Owners decide what products to make, how much to produce, where to sell products, and what prices to charge. Furthermore, competition is encouraged. **Competition** gives businesses an incentive, or reason for working harder. Companies compete for consumers by making the best product at the lowest price.

The free enterprise system began early in the United States. After the war for independence, Americans were free to engage in any economic activity **without government interference**. The framers of the Constitution believed that the prosperity of the nation depended on a **free-market economy**.

Until the late 1800s, the United States government did relatively little to control the economy. Since then, government has gradually taken on a more active role. Americans have long recognized free enterprise as one of the nation's **greatest strengths**. Through their buying decisions, consumers can tell businesses what to make, how much, and at what price.

## **III. Other Social Sciences**

Economics, history, and geography are considered **social sciences** because they relate to human society and social behavior.

## *A. Political Science and Civics*

The study of government is called **political science**. Political scientists look at the ideas behind different forms of government, how these governments are organized, and how they work.

Before 1776, Americans lived as subjects of a foreign king, to whom they owed **loyalty and obedience**.

The basic principles and organization of American government are contained in the **Constitution of the United States**.

## *B. Civics*

An important branch of political science is **civics**, the study of the rights and responsibilities of citizens. In 1776, the **Declaration of Independence** stated that every person had basic rights that could not be taken away.

The addition of the Bill of Rights to the Constitution ensures individual rights to all Americans. Americans have also recognized their responsibility to serve the nation in many ways, including obeying its laws, voting, and serving in the military.

## *C. Anthropology, Sociology, and Psychology*

The study of how people and cultures develop is called **anthropology**.

Anthropologists look at the ways people thought and behaved at different times and places. One branch of anthropology is archaeology.

**Sociology** is the study of how people behave in groups. The United States contains many different social groups.

**Psychology** is the study of how people think and behave. Psychology is linked to history because history is the study of human beings.