

## ACTIVITY 28.1

### Broad Social Goals of an Economic System

**Economic efficiency** means allocating scarce productive resources to produce the goods and services that people want and using inputs in a manner that keeps production costs as low as possible.

**Economic equity** means what is “fair.” Economic actions and policies have to be evaluated in terms of what people think is right or wrong. Equity issues often arise in dealing with the distribution of income and wealth. To some, equity means providing equal opportunity; to others, equity means equality of outcomes.

**Economic freedom** means allowing consumers to decide how to spend or save their incomes, allowing workers to change jobs and join unions, and allowing individuals to establish new businesses and close old ones.

**Economic growth** means increasing the production of goods and service over time. Economic growth is measured by changes in the level of real gross domestic product (GDP). A target annual growth rate of 3 percent to 4 percent in real GDP is generally considered reasonable and sustainable.

**Economic security** means protecting consumers, producers, and resource owners from risks that exist in society. Each society must decide from which uncertainties individuals can and should be protected, and whether individuals, employers, or the government should provide or pay for this protection.

**Economic stability** means maintaining stable prices and full employment and keeping economic growth reasonably smooth and steady. Price stability means avoiding inflation or deflation. Full employment occurs when an economy’s scarce resources, especially labor, are fully utilized.