

Chapter 11: The Role of Government in Our Economy

I-Summary: This chapter describes the roles played by different levels of government in the U.S. economy. The U.S. has three levels of government: federal, state, and local. The federal government controls interstate commerce, or trade between states. Each individual state government controls intrastate commerce—business within a state’s own borders. Federal antitrust laws enable the government to regulate monopolies and encourage competition. An industry controlled by one company is called a monopoly. An industry controlled by a small number of companies is called an oligopoly. Copyrights protect original works of art, in any form. Patents protect inventions. Trademarks protect products or company names. The government has many roles in society besides making laws, including promoting social welfare. It does this by providing public goods and services, such as highways, water-treatment plants, firefighters, parks, and libraries. Governments provide these services by using revenue gained by taxes and fees collected from consumers using certain goods and services. They also give tax incentives to encourage or discourage certain activities. The U.S. government is the largest employer as well as the largest consumer of goods and services.

I-Quiz

Quiz yourself to check your understanding. For each question, you will hear four answer choices. After you hear all four answer choices, choose your answer during the pause. Then you will hear the correct answer. Let’s begin.

Question 1

Which was created in order to promote competition?

- a. an oligopoly
- b. a trust
- c. antitrust laws
- d. copyright laws

Question 2

Which does a copyright NOT protect?

- a. music
- b. books
- c. paintings
- d. inventions

Question 3

Which term best describes the U.S government's Social Security program?

- a. privatization
- b. transfer payment
- c. revenue
- d. welfare

Question 4

Which is NOT a service provided to promote social welfare?

- a. restaurants
- b. museums
- c. parks
- d. swimming pools

Question 5

Which is a responsibility of the federal government?

- a. water-treatment plants
- b. state police
- c. swimming pools
- d. the military

Answer Key

1. The correct answer is C, antitrust laws. The government formed the Federal Trade Commission (FTC) to enforce the antitrust laws and promote competition.

2. The correct answer is D, inventions. Inventions need to be protected by patents instead of copyrights.

3. The correct answer is B, transfer payment. Transfer payments are paid by the government to people in need. Other examples of transfer payments include unemployment pay and veterans' benefits.

4. The correct answer is A, restaurants. Governments generally do not provide restaurants to promote social welfare. They leave that up to the private sector.

5. The correct answer is D, the military. The military, or national defense, is the responsibility of the federal government to provide.