

Enterprise and Effects

Trace how entrepreneurial choices create benefits, costs, and trade-offs.

12.E3c "The freedom of the United States economy encourages entrepreneurialism. This is an important factor behind economic growth that can lead to intended consequences (e.g., growth, competition, innovation, improved standard of living..."

NAME _____

DATE _____

1 READ AND MARK _____ Read it twice

YOUR JOB Underline entrepreneurial choices. Mark intended effects (I), unintended effects (U), and who benefits or bears costs.

A Food-Waste Software Venture

- ① In the U.S. mixed-market economy, people can generally start businesses, seek investors, and compete within laws. Consider a fictional food-waste software company whose founders seek profit by helping restaurants waste less. They choose how to organize work, and restaurants choose whether to buy. Intended outcomes are goals the decision makers seek. Whether an outcome is beneficial or harmful is a separate question: a harmful result may be intended, and an unintended result may help someone.
- ② If the firm succeeds, it may hire programmers and support staff. Rivals may improve products or reduce prices. Restaurants may save money, while less landfill waste could benefit nearby residents who neither buy nor sell the software. That third-party benefit is a positive externality; customer savings alone are not an externality. Suppose reduced neighborhood odors were not part of the founders' plan: that benefit is also unintended. New delivery traffic could impose an unpriced noise cost on neighbors, a negative externality.
- ③ Expansion may include contracting support work to an overseas supplier. Lower costs can be an intended result, and known job cuts need not be unintended. Workers abroad may gain jobs while some domestic workers lose them. Founders and investors may earn more, while workers without needed skills struggle to obtain new roles. Training and policies addressing spillover costs can change outcomes but have their own costs. To evaluate entrepreneurship, identify choices, goals, evidence, and affected groups instead of assuming success benefits everyone equally.

2 ANSWER WITH EVIDENCE Use the passage

1 What two choices in the first paragraph show how economic freedom can support entrepreneurship?

2 How could competition caused by the new firm affect restaurant software customers?

3 Identify one positive externality in the passage. Explain how the business activity creates it.

4 What trade-off can result from outsourcing customer support, according to the passage?

3 YOUR TURN Your own words

In four sentences, invent a business with a stated goal. Explain one intended outcome, one plausible unintended effect, and benefits or costs for at least two groups. Keep intention distinct from whether an effect is good or bad.

PART 1 • READ AND MARK

Underline entrepreneurial choices. Mark intended effects (I), unintended effects (U), and who benefits or bears costs. Accept any marking that follows this job and points at the right text.

PART 2 • ANSWERS

#	QUESTION	ANSWER
1	What two choices in the first paragraph show how economic freedom can support entrepreneurship?	The founders decide how to organize work, and restaurant owners choose whether to buy the service. The business can also seek investors and compete for customers.
2	How could competition caused by the new firm affect restaurant software customers?	Rival firms may improve their products or lower their prices, giving customers better or less expensive options.
3	Identify one positive externality in the passage. Explain how the business activity creates it.	Reduced landfill waste or odors can benefit nearby residents outside the software transaction. The software helps restaurants discard less food.
4	What trade-off can result from outsourcing customer support, according to the passage?	Contracting overseas may lower costs and create jobs abroad while displacing some domestic workers. Effects differ across groups.

PART 3 • YOUR TURN (SAMPLE ANSWER)

A bicycle-repair startup aims to earn profit with fast repairs. Its intended outcome is more paying customers, who gain convenient service. Unexpected extra delivery traffic creates noise for nearby residents. The owners and customers may benefit while neighbors bear an unintended cost.

Require an explicit goal and a plausible effect not sought in the scenario. Benefits and harms should be evaluated separately from intention. Externalities affect third parties outside the transaction; ordinary customer savings or business profits are not enough to establish one.