



Entrepreneurship

Unit 1.1:
Understanding basic economic concepts
related to business ownership



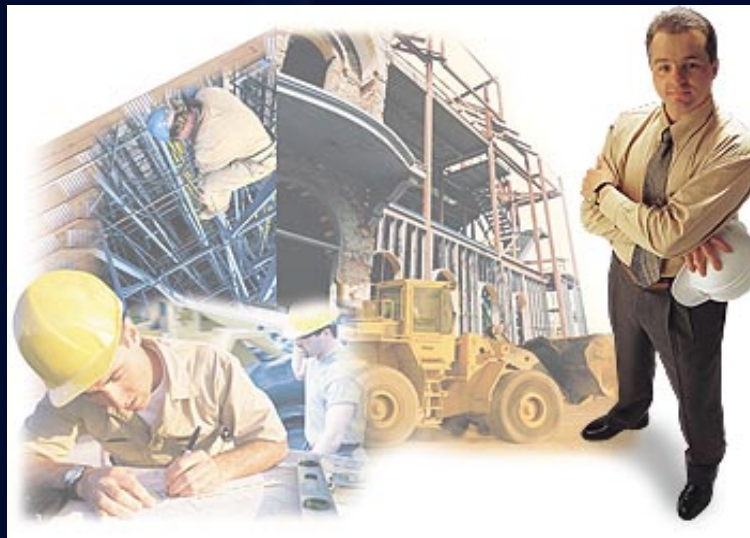
Students will understand basic economic concepts related to business ownership

Students will be able to:

- Define entrepreneurship
- Explain the profit motive
- Describe effects of supply, demand and scarcity on businesses
- Graph supply and demand curves
- Describe concept of equilibrium
- Explain the role of competition and how “market structure” (i.e., monopolies) affects price
- Describe government’s role in business

Entrepreneurship

The process of getting into and operating one's own business





Profit Motive

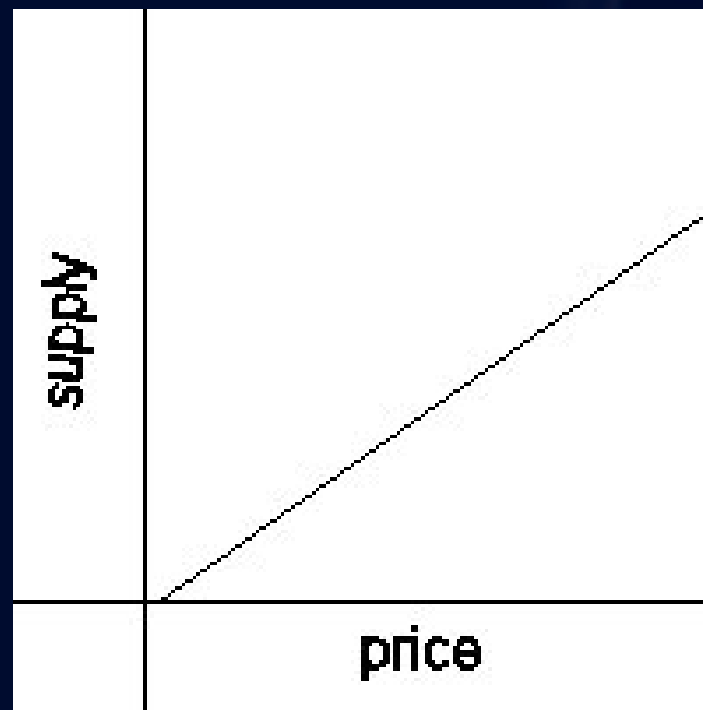
Profit: Money left after all the expenses of a business have been deducted from the income

- ▶ Making a profit is a **primary incentive** of the free enterprise system. It is one way of measuring success in a free enterprise system.



Effects of Supply on Businesses

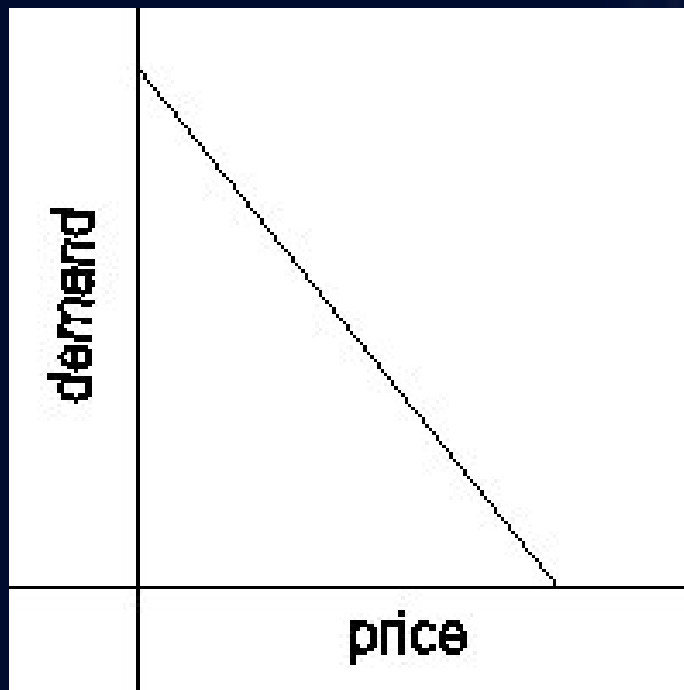
Supply: The amount of a good or service that producers are willing to produce



The more money that can be charged for each item . . . the more units the supplier is willing to produce.

Effects of Demand on Businesses

Demand: The amount or quantity of goods or services that consumers are willing and able to buy



As the price continues to rise . . . the less units the consumer is willing to buy.

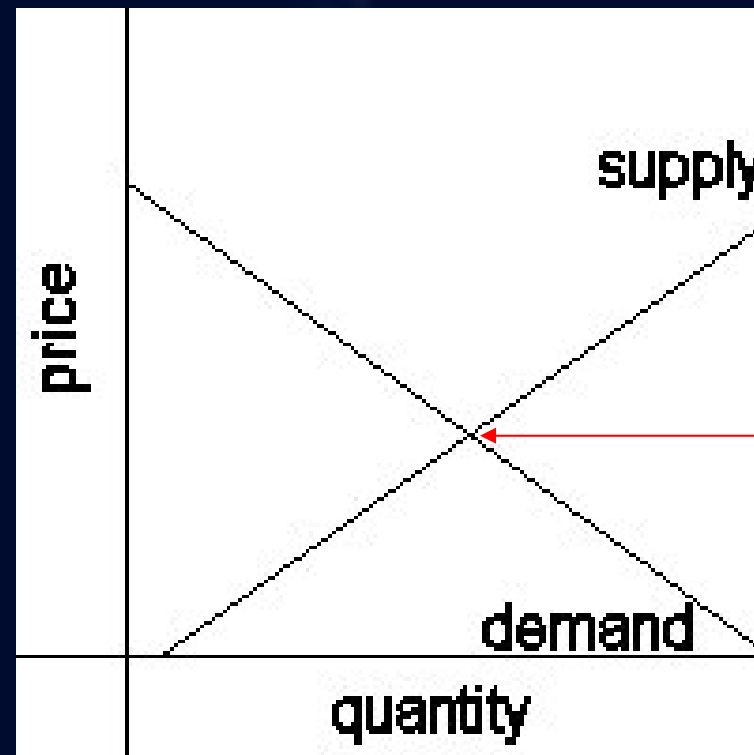
Effects of Scarcity on Businesses

Scarcity: When wants are greater than resources



Concept of Equilibrium

Equilibrium: Point at which consumers buy all of a product that is supplied, leaving neither a surplus nor a shortage





Contributions by Small Business Owners and Entrepreneurs

- Provide jobs
- Turn demand into supply
- Principal source of venture capital
- Change society
- Fill unmet needs
- Contribute to the overall good of the nation
- Make life more pleasant to consumers
- Technological change
- Increased productivity






The Role of Competition and How It Affects Price

Competition: Businesses striving for the same customer or market

- ▶ Competition between similar businesses is a key element in a market economy. It forces companies to become more efficient. It also keeps prices down and quality up.
- ▶ Not all markets are competitive



How “Market Structure” Affects Price (i.e., monopolies)

Monopoly: When a company controls all of a market. There is no competition.

- ▶ A company that has a monopoly is able to charge more than a company that has to compete with other companies.
- ▶ Consumers have nowhere else to go. They will continue to buy a product or service, even if the producer raises prices.



Microsoft’s Bill Gates

In 1998, the US Dept of Justice filed an anti-trust lawsuit against Microsoft.

See Wikipedia for more information.



Government's Role in Business

The government has an effect on what is produced by:

- ▶ **Purchases:** Government purchases huge amounts of goods and services
- ▶ **Taxes:** Government taxes certain goods and services
 - Sales tax on retail
 - Extra charge on cigarettes, gasoline, and alcoholic beverages
- ▶ **Subsidies:** Payment to producers of certain kinds of goods
 - Agricultural products, businesses that locate their businesses in certain inner-city neighborhoods



Government Programs and Laws to Protect Consumers

▶ Inspection:

USDA-inspects meat and poultry plants to ensure appropriate hygienic measures are being observed

OSHA-inspects factories to ensure that conditions are safe for workers

▶ Licenses: Government regulates by requiring some businesses to obtain licenses

– Barber and Beauticians, Real Estate, and more...

To obtain a license, professionals must pass examinations and pay licensing fees before they can start their business



Laws Enacted by the Government to Protect the Consumer

Equal Employment Opportunity Commission (EEOC)

Charged with protecting the rights of employees age, race, color or national origin, religion, gender or physical challenge

Equal Pay Act of 1963

All employers must pay men and women the same wage for the same work

Fair Labor Standards Act of 1938

Minimum wage and maximum working hours are identified. Children under 16 years of age could not be employed full-time except by their parents.



Laws Enacted by the Government to Protect the Consumer (cont'd.)

Occupational Safety & Health Act (OSHA)


Ensuring safe and healthy working conditions for employees

Price Discrimination (Clayton Act of 1914 & Robinson-Patman Act of 1936)

When a business cannot sell the same product to different people at different prices

Food and Drug Administration (FDA)

Monitoring product safety



More Laws Enacted by the Government to Protect the Consumer

Consumer Product Safety Commission (CPSC)

Watchdog for consumers over products that may be hazardous

Fair Packaging and Labeling Act

Requires that manufacturers labels truthfully list all raw materials used in the production of products

Uniform Commercial Code (UCC)

Groups of laws that covers everything from sales to bank deposits and investment securities. This applies to sales transactions between merchants.



Protect Your Invention/Business

The government has created laws to protect the entrepreneurs' ideas and intellectual property

Patent: A legal document that gives an inventor the sole right to produce, use, and sell an invention. A patent lasts for 20 years. During this period, no business or individual can copy or sue the patented invention without the patent holder's permission.

Copyright: Protects original works of an author. (e.g., music, books, computer software.) A copyright lasts for 70 years after the death of the author.

Trademark: Word, symbol, design, or combination of these that a business uses to identify itself or something it sells.



Let's Review

- Define entrepreneurship
- Explain the profit motive
- Describe the effects of supply, demand and scarcity on businesses
- Graph a supply and demand curve
- Describe concept of equilibrium
- Describe the impact of small business/entrepreneur's contributions
- Explain the role of competition and how does "market structure" (i.e., monopolies) affects price
- Describe government's role in business