Dynamics of Business and Economics
Some definitions

• Individuals/organizations who try to earn a profit by providing products that satisfy people’s needs (Ferrell et al)

• An organization that seeks to earn profits by providing goods and services (Griffin et al)

• The activity of buying and selling, trade (Webster’s Dictionary)
Why Study Business?

- It provides employment for most people.
- It provides the majority of products needed to survive and enjoy life.
- It will help prepare you for your future career.
- It will help you become a better informed consumer and member of society.
Business Vs. Nonprofit Organization

$ Business
An individual or organization that tries to earn a profit by providing products that satisfy people's needs, ex. IBM, Sabanci.

😊 Nonprofit Organization
Provides products, especially services, for some purpose other than profits, ex. Kizilay, The Red Cross, The Salvation Army.
Activities of Business

- **Owners**
  - put up money; take risk
- **Employees**
  - do the work
- **Customers**
  - must be satisfied
- **Finance**
  - resources to keep business going
- **Marketing**
  - gather info on customer to make decisions
- **Management**
  - coordination of employee efforts
  - set/attain goals
  - be aware of competition
Factors of Production

Factors of production are the basic resources that are needed to produce goods and services:

- **Natural resources**: e.g., land, water, forests
- **Labour**: human resources e.g., managers, workers
- **Capital**: e.g., money, equipment, machinery
Economic Systems
Distribute Resources

- What/how much needs to be produced to satisfy demand?
- How, who and with what resources will be produced?
- How will they be distributed?
## Comparison of Communism, Socialism, and Capitalism

<table>
<thead>
<tr>
<th></th>
<th>Communism</th>
<th>Socialism</th>
<th>Capitalism</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business Ownership</strong></td>
<td>Most businesses are owned and operated by the government.</td>
<td>The government owns and operates major industries; individuals own small businesses.</td>
<td>Individuals own and operate all businesses.</td>
</tr>
<tr>
<td><strong>Competition</strong></td>
<td>None. The government owns and operates everything.</td>
<td>Restricted in major industries; encouraged in small business.</td>
<td>Encouraged by market forces and government regulations.</td>
</tr>
<tr>
<td><strong>Profits</strong></td>
<td>Excess income goes to the government.</td>
<td>Profits earned by small businesses may be reinvested in the business; profits from government-owned industries go to the government.</td>
<td>Individuals are free to keep profits and use them as they wish.</td>
</tr>
</tbody>
</table>
## Comparison of Communism, Socialism, and Capitalism

<table>
<thead>
<tr>
<th>Product availability and price</th>
<th>Communism</th>
<th>Socialism</th>
<th>Capitalism</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Consumers have a limited choice of goods and services; prices are usually high.</td>
<td>Consumers have some choice of goods and services; prices are determined by supply and demand.</td>
<td>Consumers have a wide choice of goods and services; prices are determined by supply and demand.</td>
</tr>
</tbody>
</table>

| Employment options            | Little choice in choosing a career; most people work for government-owned industries or farms. | Some choice of careers; many people work in government jobs. | Unlimited choice of careers. |
Economic Systems and Where They Occur

Communism: China
              North Korea
              Cuba

Socialism: Sweden
           India
           France
           Israel

Capitalism: Canada
           United States
           Australia
           Japan
The Forces of Supply and Demand

- **Demand** is the number of goods and services that consumers are willing to buy at different prices at a specific time.
- **Supply** is the number of products (goods and services) that businesses are willing to sell at different prices at a specific time.
- **Equilibrium price** is the price at which the number of products that businesses are willing to supply equals the amount of products that consumers are willing to buy at a specific point in time.
Laws of Demand and Supply

Law of Demand: buyers will demand more of a product or service as the price decreases.

Law of Supply: Producers will offer more of a product as the price rises.

Market Price (equilibrium price); price at which demand and supply meet.
Equilibrium Price of Soft Drinks

Prices of Soft Drinks $ 

Supply Curve 

Demand Curve 

Equilibrium Price

Cans of Soft Drinks

<table>
<thead>
<tr>
<th>Cans of Soft Drinks</th>
<th>Prices of Soft Drinks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1.00</td>
</tr>
<tr>
<td>2</td>
<td>1.35</td>
</tr>
<tr>
<td>3</td>
<td>1.00</td>
</tr>
<tr>
<td>4</td>
<td>0.70</td>
</tr>
<tr>
<td>5</td>
<td>0.40</td>
</tr>
<tr>
<td>6</td>
<td>0.00</td>
</tr>
<tr>
<td>7</td>
<td>0.00</td>
</tr>
</tbody>
</table>
### The 4 Degrees of Competition

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pure Competition</td>
<td>Large number of small firms selling an identical or highly similar products.</td>
</tr>
<tr>
<td>Monopolistic competition</td>
<td>There are fewer businesses than in a pure-competition system (but still many sellers), and the differences between the goods they sell are small (at least appears to be different).</td>
</tr>
<tr>
<td>Oligopoly</td>
<td>Very few businesses sell a product; the product they sell can be similar or different.</td>
</tr>
<tr>
<td>Monopoly</td>
<td>There is only one producer of a product in a given market (prices and profits are regulated).</td>
</tr>
</tbody>
</table>