

BUSINESS IN AN INFORMATION ECONOMY

GRAF • CHURCH • DUFF



Business in an Information Economy

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Preface

Enrollments in postsecondary schools of business are at an all-time high. Business degrees are considered desirable by men and women alike. Standards for admission to business colleges are often competitively based—and competitive standards are maintained even after students are admitted to the school of their choice. Other students graduate from high school, gain work experience, and form their own businesses. Their background in basic business principles may be woefully weak. This lack of formal business education adds one more time constraint to the hectic process of getting their businesses off the ground.

Students of business and young entrepreneurs often lament the fact that they had not selected a business course in high school. Worse, they might have elected a business course in high school if they could have found one with a strong business administration base. Many high schools have Business Principles, Business Management, Business Analysis, or similar courses, but teachers have had difficulty finding an appropriate text. *Business in an Information Economy* has been written to fill a void—the need for a text that incorporates economic and technology concepts within an established base of business administration principles to help prepare students to study, work, and interact with the business community.

This textbook and its supplements (teacher's course guide and key, student activity guide, and test booklet) are part of a program designed to provide factual business and economic information to help students reach responsible adulthood. The academic content is relevant and suitably rigorous. But the program does more than pass on relevant information about business and economic subjects. The selective use of information briefs, technology features, text illustrations, end-of-chapter and end-of-unit textbook exercises, and study guide materials, provides the motivation to students so that they can become involved in American business and economic activities. The content and activities of the program will be a decided plus as students begin to cope with life and work in our complex information-driven economy.

Objectives of the Program

The primary purpose of the program is to provide students with a realistic view of American business within our economic system. Business in an Information Economy takes a careful look at the ownership of businesses of all sizes. All the functional areas of business—management, finance and accounting, marketing, human resources, production of goods and services, and information systems—are examined. Each functional area is placed in an economic and technological context, thereby giving students a well-rounded portrait of contemporary business. The social and legal environment of business (taxation, regulation, and ethical considerations) as well as the global dimensions of business operations are examined in order to

provide as complete a picture as possible within the framework of a one- or two-term course.

The second purpose of Business in an Information Economy is to present the business side of decision making. Business decision making necessarily includes:

- Analytical skills
- Communication skills
- Computer and technology skills
- Human relations skills
- Problem-solving skills
- Resource management skills

These decisions-making skills address business problems as opposed to consumer problems. Students learn what it takes to make a business successful, what economic questions face all businesses, how best to organize a business, how a business manages its finances, what techniques businesses use to market products and services, and how businesses manage their most important resources—people, materials, and information.

The third purpose of the program is to address the need to develop critical thinking skills. Critical thinking skills are necessary to convert data into useful information so that individuals and organizations can make goal-oriented decisions. These same skills are also needed to separate facts from opinion, truth from partial truth, and emotion from rational thinking. Such skills are particularly vital to business decision makers because they are exposed to a seemingly constant flood of contradictory data in this era of rapid communication.

In this program, students develop critical thinking skills as they participate in activities that also build comprehension, interpretation, reading, and communication skills. For example, each chapter includes case material for student analysis and interpretation and other end-of-chapter exercises that enable students to demonstrate critical thinking by reporting—and communicating orally or in writing—findings from interviews, observations in the business community, outside readings, and research.

Organization of the Text

Business in an Information Economy is divided into seven units. Unit 1, Business in America, provides an exciting overview of “why the business of America is business.” The first chapter introduces students to the different classifications of business enterprises, the importance of entrepreneurship, and the role of small business ownership. A stimulating review of business history follows, adding a distinctive color and perspective to today’s business environment. Students learn how and why our economy has become information-based.

Unit 2, The Economic Environment of Business, includes an extensive discussion of the basic economic concepts, principles, and practices that move our market system. The dimension of a global economy enhances the more traditional “rules of the game.”

Unit 3, Organization and Management of Business, provides a starting point for

the examination of the functional areas of business. A discussion of business structures, a description of the social and legal environment of business, and an explanation of the role that management plays in all business enterprises prepare the student for a more detailed look at the functional areas of business which follows.

Units 4 to 7 delve into the specifics of business operations. Chapters 9 to 20 introduce and provide practical advice on finance, accounting, risk management and insurance, marketing, human resources management, production and operations, and information systems. Each chapter provides basic terminology, incorporates real-life examples, and concludes with exercises and case material reflecting the kinds of problems businesspeople face. The last chapter, "Careers in an Information Economy," brings matters down to a more personal level by focusing student attention on career opportunities in business and the need to begin preparing now—academically and otherwise—for that day when they become full and active participants in the business community or the labor market.

Special Features of the Text

Each unit is introduced through a strong visual image and unit objectives. A discussion of the unit theme sets the stage for the chapters that follow. A *mock newspaper or magazine article*, based on real-life business sources, opens each chapter and is designed to capture the reader's attention. The situation or concepts introduced in the article are then expanded in the case study at the end of that chapter. The case study concludes with questions that require students to utilize analytical, interpretative, decision-making, and other skills. Similarly, an end-of-unit reading, case study, or project provides a capstone to each of the text's seven units.

In each chapter *feedback questions or short situations* are interspersed among short reading segments. These questions, which are set off by blue rules, are designed to pique the students' interest and help them develop self-analytical skills as they advance through the chapters. They are also intended to help students deal with business situations within the affective domain of learning—that is, they often incorporate difficult business decisions and choices which have no clear right or wrong answer. In such cases, one's values and attitudes may affect the decisions or choices that one makes. These questions help students recognize the values and attitudes that might shape their own business viewpoint and have an impact on their own decision making.

Information Briefs (or Career Briefs in Chapter 20) are liberally interwoven into the side margins of the text. These briefs have been structured to clarify content, provide real-life examples of the concepts and practices described in each chapter, and introduce business media to students. They have been written in a compact newspaper style for easy reading.

The discussion of the information economy would be incomplete without highlighting the role of technology. Thus, each chapter includes a *Technology Feature* (Technology in an Information Economy) to illustrate how technology—computers, compact disks, cellular telephones, and the like—are changing the way business and work are conducted today.

End-of-Chapter and End-of-Unit Activities

Each chapter and each unit concludes with exercises that enable students to demonstrate learning in various ways and at different levels. The answers to *Select Terms to Know* and *Review Questions* are found directly in the text material. Fundamentally, they help students demonstrate learning at the recall level.

The *Select Terms to Know* exercise is intended to help students build a strong business vocabulary. Defined terms are highlighted in boldface type throughout the text. Students may cull the definitions from these boldfaced terms or refer to the *Glossary/Index* at the back of the text, which has definitions of over 350 key terms.

Thought and Discussion Questions go beyond the recall and comprehension level to the application and problem-solving level. *Projects* are in-class or out-of-class activities designed to reinforce critical thinking skills. Most of these activities can be completed by students individually. However, in some situations students are required to work together in small teams or groups. In either case, the Projects can serve as useful tools for bringing “business action” into the classroom.

The *Case Study* at the end of every chapter develops student learning at the highest level—analysis and decision making. Each case is crafted from a realistic business situation. Most of the case study questions relate specifically to the subject matter in a particular chapter and ask students to make business judgments and decisions based on informed analysis.

A culminating activity, a *Unit Reading, Case Study, or Project*, concludes each unit. These activities enable students to tie together the learning derived in each chapter of a given unit, the business and economic fundamentals accumulated throughout the course, and practical experiences.

Course Supplements

The supplemental *Study Guide* is a natural extension of the textbook. Terms and review questions have been turned into helpful objective review questions. Projects and cases found in the text provide the opportunity for the highest levels of learning. The study guide continues and expands this theme with all *new* activities, projects, and cases. The *Test Booklet* has been carefully constructed to measure learning outcomes. Each question is drawn from the text with care and attention to testing principles and business content.

The *Teacher's Manual and Key* has been written to guide the teacher in orchestrating the entire *Business in an Information Economy* program. It presents the rationale for a new Business Principles and Management course based on content that (1) realistically portrays contemporary business and (2) is relevant to the needs of today's students. The goals and philosophy for this course are presented. Specific course outlines and sample lesson plans are also included. General and specific teaching ideas are outlined for the course and for each chapter. Most important, the philosophy, background, and answers behind each of the projects, situations, and cases are provided as practical aids for the relatively new as well as the experienced teacher.

“Open for Business” Videotape Program

A special educational version of *Open for Business*, a videotape program developed by Maryland InTec (Maryland Instructional Television) is available through Gregg/McGraw-Hill and can be used to complement *Business in an Information Economy*. The video program, which is accompanied by a student manual and a teacher's manual, can be used most effectively by teachers who want to reinforce or expand upon concepts in the text relating to small business ownership and entrepreneurship.

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Advisory Board, National Conference on Basic Business

The inspiration and many of the ideas for this program came from the National Conference on Basic Business held by the Gregg Division in August 1985. The Conference brought together nationally recognized leaders in business education to chart a new direction for Basic Business, Business Principles, Business Management, and other related courses for the 1990s.

Business in an Information Economy was an outgrowth of the Conference's recommendations. For helping to shape the philosophy, pedagogy, and core content of this program, the authors express their deep gratitude to the following individuals who served as members of the Advisory Board of the National Conference:

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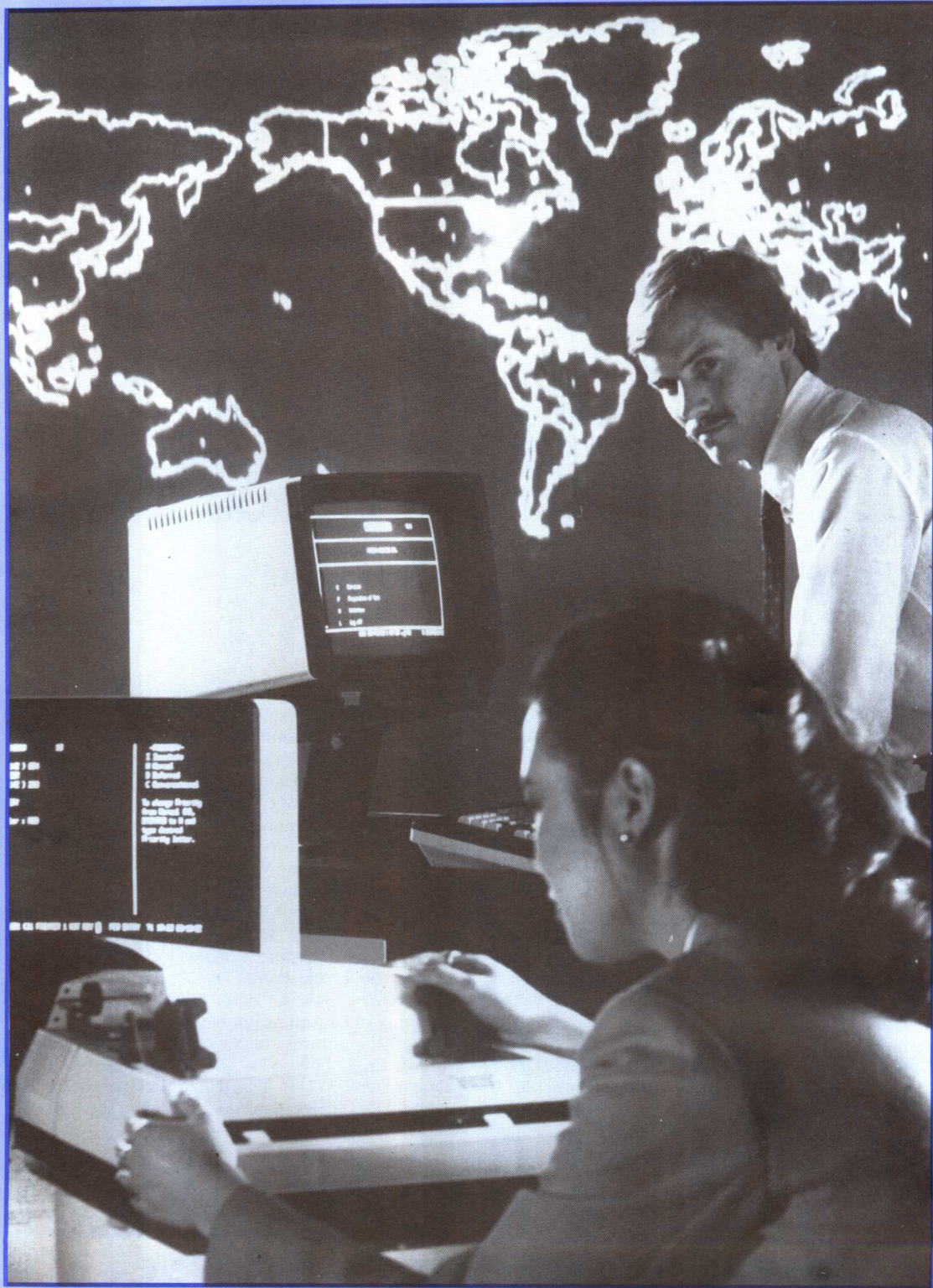
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Contents

Preface vi

UNIT 1 • *Business in America* 2

Chapter 1 • Business Winners 2 • What Is Business? • What Business Contributes to Society • Classifying Business • Business Sizes: Most Are Small • What Is an Entrepreneur? • What It Takes to Win in Business

Chapter 2 • Growth of the American Economy 24 • The Four Eras of Our Economy • A Process of Gradual Change • The Agricultural Economy • The Industrial Economy • The Service Economy • The Information Economy

UNIT 1 CASE STUDY *Computers Awash With Data as the Stock Market Explodes* 44

UNIT 2 • *The Economic Environment of Business* 46

Chapter 3 • The Basics of Economics 48 • What Is Economics? • Factors of Production • Information—Another Important Resource • Making Choices • Exchanging Goods and Services • Determining Market Prices • Supply and Demand • Fitting It All Together: The Circular Flow Model

Chapter 4 • Comparing Economic Systems and Measuring Economic Success 69 • Basic Decisions Made by All Economic Systems • Basic Kinds of Economic Systems • How Does the Private Enterprise System Work? • Measuring Economic Activity

Chapter 5 • Business in a Global Economy 93 • How Did the Global Economy Develop? • Why Does International Trade Occur? • How Do U.S. Companies Conduct International Trade? • How Is International Trade Financed? • How Do Nations Restrict International Trade? • How Do Nations Encourage International Trade?

UNIT 2 READING *The International Marketplace* 114

UNIT 3 • *Organization and Management of Business* 116

Chapter 6 • Business Structures 118 • Common Business Structures • Sole Proprietorship • Partnership • Corporations • Franchises • Cooperatives • Choosing a Business Structure

Chapter 7 • The Social and Legal Environment of Business 139 • Social Responsibility of Business • Business Law • Government Roles • Government Regulation • Regulations Promoting Business Competition • Administrative Law and Regulation • Taxation • Business Regulation: A Perspective

Chapter 8 • The Role of Management in Business 163 • The Lure of Management • Roles Played by Managers • Levels of Management • Functions of Management • Decision-Making Skills • Management, Technology, and Change

UNIT 3 READING *A Look at Future Trends That Affect Managers* 185

UNIT 4 • Financial Management 186

Chapter 9 • Accounting and Financial Planning 188 • The Role of the Financial Manager • Accounting Procedures • Financial Statements • Ratio Analysis • Preparing a Business Plan

Chapter 10 • Sources of Funding 212 • Our Financial System • Financial Institutions • Financial Markets • The Federal Reserve and the Banking System • Financing Alternatives • Working Capital Management • Putting It All Together: The DAVECO Corporation

Chapter 11 • Risk and Insurance 238 • The Nature of Risk • Risk Management and Insurance • Types of Insurance Providers • Business Insurance

UNIT 4 CASE STUDY *Analyzing a Corporation's Annual Report* 258

UNIT 5 • Marketing Management 260

Chapter 12 • The Elements of Marketing and Marketing Research 262 • Components of the Marketing Manager's Job • Marketing Elements • Product Types • The Life Cycle of a Product • Meeting Customer Needs With Goods and Services • The Usefulness of Market Research

Chapter 13 • Packaging and Pricing Decisions 281 • Packaging Decisions • Pricing Decisions • Pricing Policies

Chapter 14 • Advertising and Sales Promotion 300 • Marketers Promote Goods and Services • Identifying and Addressing the Market • Sales Techniques

Chapter 15 • Channels of Distribution 320 • What Are Channels of Distribution? • Producers • Intermediaries • Consumers • Why Do Producers Use the Services of Intermediaries? • What Service Do Intermediaries Perform? • What Are the Channels of Distribution for Consumer Products? • What Are the Channels of Distribution for Industrial Products? • What are the Channels of Distribution for Services? • Physical Distribution of Goods

UNIT 5 PROJECT *Marketing in Your Community: An Exploration Exercise* 338

UNIT 6 • *Human Resources and Operations Management* 340

Chapter 16 • Employment of Human Resources 342 • The Importance of Human Resources Management • Work Force Planning • Managing the Employment Process • Training and Development • Handling Job Changes

Chapter 17 • Management of Human Resources 362 • Who Are the Employees Within a Company? • What Are the Current Attitudes That Affect Employees? • The Study of Human Behavior • Leadership Traits and Styles • Making Job Changes to Help Employees • Strengthening Communication • Helping Managers Motivate People • Helping Employees Get Along With Their Managers • The Effect of Labor Unions on Management

Chapter 18 • Production and Operations Management 383 • Production and Operations • Designing an Operations System • Comparing Operations Systems • Production and Inventory Control • Maintaining Effective Operations • Social Issues in Operations Management

UNIT 6 READING *Managing the Techies* 404

UNIT 7 • *Working in an Information Economy* 406

Chapter 19 • Computerized Information Systems for Business 408 • What Is a System? • Elements of a Modern Information System • Use of Information Systems in Business

Chapter 20 • Careers in an Information Economy 426 • Career Opportunities • Career Paths and Goals, With Self-Assessment • What Business Is Looking for—"KASH" • Preparing Job Search Papers • Facing the Job Interview

UNIT 7 READING *Self-Insuring Your Career* 446

Glossary/Index 448

U N I T 1

Business in America

Information has always been important to business. Business people need timely and relevant information as a basis for making sound business decisions. With the very rapid communication systems that exist today for conveying information, we call this “an information age.”

Before the invention of the telegraph and telephone that helped to introduce the industrial age, communication systems were linked to, and hindered by, the speed of transportation systems. It took days, weeks, and sometimes even months, for vital business information to reach its destination. Today, however, modern communications and transportation systems and high tech equipment, such as the computer, make it possible to transmit business information at high speeds from almost anywhere 24 hours a day. Those who can use and apply this information wisely may well become the business winners of our information age.

UNIT OBJECTIVES

1. Identify the major classifications and types of business enterprises.
2. Describe the contributions that business makes to society.
3. Assess the role of profit, risk, and planning in business.
4. Identify the traits and attributes associated with entrepreneurs, and give examples of business winners and losers.
5. Trace the nation's historical progress toward an information economy.

Business Winners

Big Dreams

Steve Jobs and his buddy, Steve Wosniak, sold their calculator and a VW Bug to get the money they needed to start their business. Working on a dining room table and in a garage, these two men in their early twenties dreamed of introducing a small desktop machine to the market.

Their machine launched the microcomputer industry and helped usher in to-

day's information age. Their machine was named after the Northwestern orchard product Jobs had picked as a teenager—the apple. Thus the Apple Computer company was born.

Later, still an enterprising individual and risk taker, Jobs helped introduce another computer to the market. It was called the Pixar. (You will find out

more about the Pixar in a later chapter.)

Study this chapter to learn more about the nature of American business and why people like Jobs and Wosniak are considered business winners. Use the information in this chapter to help you answer the questions in the end-of-chapter case study, “Making Business Dreams a Reality.”

Just about everywhere we look, in town and beyond, we can find businesses. Without leaving our homes, we can find evidence of business, of commerce and trade, of goods and services. The food we eat, the clothes we wear, and most items we use or see—such as on TV commercials—are products that some business produced or distributed and sold.

The television set is a product. The entertainment TV provides and the information that comes to us through that broadcast medium are services. Thus TV itself is a business. Country-western, soul, Latino, and rock singers are in business. The professional football player is in business. Nearly all business-people strive to succeed, that is win.

In this chapter you'll learn about business, owners and their enterprises, and what it takes to win in business.

WHAT IS BUSINESS?

Calvin Coolidge, one-time President of the United States, said this about America and business: “The business of America is business!”

Characteristics of a Business

In the United States, **business** is the operation of an enterprise that:

- Satisfies human needs and wants by providing goods or services
- Operates for the purpose of making a profit
- Uses private money and resources, or capital, to pay for the costs of getting started and continuing to operate

Satisfying Human Needs and Wants. All people have basic needs and social and psychological wants. We *need* shelter, food, clothing, and, in today’s modern world, transportation. But most of us *want* more. A single, cheap, warm coat satisfies a basic need. But a half-dozen fashionable coats, one for each activity, satisfies both a psychological and a social want. Psychologically, your ego is satisfied in knowing you can have lots of things. Keeping up with one’s friends is important to many people, too, which satisfies a social want.

Businesses Provide Goods and Services. **Goods** are physical objects that satisfy people’s needs or wants. Examples are the basics of food, clothes, and vehicles or luxuries like stereos and records. **Services** are tasks that people have others do for them because they satisfy needs or wants businesses provide. Examples are preparing and selling hamburgers at fast-food restaurants, altering clothes, repairing vehicles and stereos, singing professionally, and playing football commercially.

Businesses satisfy human needs and wants when they identify what these are and then offer for sale those goods and services that customers will buy. **Customers** can be individual consumers, other businesses, or government and other organizations who buy goods and services.

Making a Profit. In business, **profit** is the amount of money left from income earned by selling goods and services

after paying for all costs and expenses. Profit is what the businessperson gets as payment for satisfying consumer needs and wants. Profit, to businesses and their owners and stockholders, is like the wages employees get for working.

▼ How would you feel about working 40 hours a week for someone, week after week, without getting paid? How would you feel as a business owner if you worked long and hard without earning a profit?

Using Private Capital. In business and accounting terms **capital** includes money and other resources, including land and assets that can be used to raise money. Some people go into business for themselves. Many individuals and firms invest their capital in other businesses by buying shares of ownership, called **stocks**. In countries that don't operate by the private enterprise system, private capital is usually unavailable. Capital resources in other systems come mainly from the government.

WHAT BUSINESS CONTRIBUTES TO SOCIETY

Collectively, all the workers and all the business owners and investors and their families make up society. Individual growth contributes to social and economic growth. The major contributions that business makes to society in a private enterprise economy are a means of exchange; utility of form, place, time, and possession; economic wealth; employment; and certain individual and business freedoms.

The Contribution of Exchange

At one time people exchanged goods and services directly without the use of money. (This is called barter, and will be discussed in greater detail in Chapter 3.) Today, however, money is the principal medium used to facilitate the exchange of goods and services.

In our society business allows for the exchange of goods and services at many different levels. To illustrate this point, let's suppose that you want a new pair of jeans. If you have no money, you could shovel snow off your neighbor's walks for a price. Then you could purchase the jeans from a retailer, exchanging the money you earned for the jeans. The retailer might then exchange the money received from the sale of the