

LESSON 1

Exploring the World of Business and Economics

Instructor Manual Resources

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1.1 TRANSITION GUIDE

The majority of learning objectives from *Business 12e* have been retained for this edition. Several learning objectives have been updated to require more quantifiable assessment of the topic.

Learning objective related to risks and rewards of business has been expanded to discuss benefits of business to society and potential concerns about impacts of business on society.

Learning objectives related to economic performance and the business cycle have been combined into one learning objective that asks students to interpret certain economic indicators.

Learning objective about four types of competition has been divided into one that discusses the types of competition, and another that discusses the effects of supply and demand. Previously the supply and demand content was embedded in the discussion of perfect competition, but we concluded that the concept deserves its own learning objective.

New in Lesson 1: Exploring the World of Business and Economics

- Updated “What Is Business?” introductory video
- Defined “business” in section 1-3 “Understanding Business Basics”
- Updated caption in the interactive activity, “Key Business Activities” in section 1-3
- Updated statistical information in the interactive activity, “Improving Quality of Life” in section 1-3a
- Added more narrative content to section 1-4 “Concerns about the Impact of Business on Society”
- Updated “Key Takeaway” in section 1-5
- Updated all the statistical information in the interactive activities in section 1-6 “Responding to the Business Environment”
- Updated interactive activity, “Identify Five Factors Affecting the Business Environment” in section 1-6 “Responding to the Business Environment”
- Defined “economy,” “invisible hand,” “market economy,” “command economy,” and “socialism” in section 1-8 “Economic Systems”
- Outlined 4 basic economic questions in section 1-8
- Updated interactive activity, “Laissez-Faire Capitalism” in section 1-8
- Defined “competition” in section 1-10 “Degrees of Competition and Supply and Demand”
- Defined “product differentiation” in section 1-10b “Monopolistic Competition”
- Defined “game theory” in section 1-10c “Oligopoly”
- Added more content and examples to section 1-10d Monopoly
- Defined “recession” in section 1-12a “The Business Cycle”
- Updated graph and statistical information in section 1-12b “Gross Domestic Product (GDP)”
- Defined “deflation” and “consumer price index (CPI)” in section 1-12c “Unemployment and Inflation”
- Updated interactive activity, “Registered Nurse, Market Research Analyst, Mechanical Engineer, Financial Analyst, Entrepreneur” to be called “Career Overviews,” as well as updating the content in section 1-14a “Career Overviews”

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12e LO #	12e Learning Objective	<i>Business MindTap</i> LO #	<i>Business MindTap</i> Learning Objective
1.1	Discuss what you must do to be successful in the world of business.	1.1	Summarize four benefits of studying business.
1.2	Define business and identify potential risks and rewards.	1.2 1.3	Given an example of a business, explain how that business benefits society. Given an example of a business, explain potential societal concerns about that business.
1.3	Define economics and describe the two types of economic systems: capitalism and command economy.	1.5	Given an example of an economy, classify as one of the four types of economic systems.
1.4 1.5	Identify the ways to measure economic performance. Examine the different phases in the typical business cycle.	1.8	Given an example of an economic indicator, explain whether it is a positive or negative indication of economic conditions.
1.6	Outline the four types of competition.	1.6 1.7	Given the type of competition for an industry, identify the key strategic considerations for companies in that industry. Given an example of a pricing change, identify the resulting effects on supply and demand.
1.7	Summarize the factors that affect the business environment and the challenges that American businesses will encounter in the future.	1.4	Given a factor in the business environment, discuss how that factor might affect businesses and consumers.

1.2 LESSON SUMMARY AND LEARNING OBJECTIVES

LO 1.1—Summarize the four benefits of studying business.

The benefits of studying business include helping you choose a career, improving your career, making you a better-informed consumer and investor, and making you a more influential community member. These benefits can lead to more fulfilling jobs, higher incomes, and stronger communities. Businesses bring many benefits to society, but managers must take care to balance their pursuit of profits with vital social concerns.

LO 1.2—Given an example of a business, explain how that business benefits society.

Businesses make a variety of positive contributions to society, including offering valuable products, providing employment, and improving quality of life.

LO 1.3—Given an example of a business, explain potential societal concerns about that business.

Managers must take care to balance their pursuit of profits with vital social concerns, including health and safety risks, environmental damage, and social disruption.

LO 1.4—Given a factor in the business environment, discuss how that factor might affect businesses and consumers.

Businesses don't exist in a vacuum. The business environment is made up of five factors—economic, competitive, global, technological, and social—that affect the fortunes of a business, and they affect consumers as well. When businesses monitor and understand these five factors, they can respond with management, marketing, and financial strategies that provide the best chance of success.

LO 1.5—Given an example of an economy, classify as one of the four types of economic systems.

Economic factors have a large influence over the business environment. One of those factors is the economic system of a country. There are different economic systems in the world today, and those systems largely determine how wealth is made and distributed. By understanding economic systems you can better examine how each system will affect your opportunities to make income and create wealth. These systems also affect your choices as a consumer and the prices you pay.

LO 1.6—Given the type of competition for an industry, identify the key strategic considerations for companies in that industry.

Within our economic system in the United States, there are levels of industry competition that also affect businesses and consumers.

LO 1.7—Given an example of a pricing change, identify the resulting effects on supply and demand.

As a consumer, the degree of competition in an industry will affect the number of choices you have and the prices you pay for products from that industry. As a business owner or employee, knowing the degree of competition in your industry can help you choose the most effective business strategies.

LO 1.8—Given an example of an economic indicator, explain whether it is a positive or negative indication of economic conditions.

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Today, it is hard to turn on the radio, watch the news, or use the Web without hearing or seeing something about the economy. These reports often include numbers that are supposed to help us interpret the health of the economy. While these numbers are easy to ignore, understanding indicators of economic health can help individuals, businesses, and governments better allocate their resources and plan for the future.

1.3 KEY TERMS

business	communism	game theory
economy	competition	monopoly
capitalism	perfect (or pure) competition	monopolistic competition
invisible hand	supply	recession
market economy	demand	gross domestic product (GDP)
mixed economy	equilibrium price	unemployment rate
command economy	product differentiation	inflation
socialism	oligopoly	deflation
consumer price index (CPI)		

1.4 ACTIVATOR EXERCISE: THE SIZE AND SCOPE OF BUSINESS

Purpose: To orient students to the size and scope of business in our society.

Format: Classroom discussion with student groups researching questions on their mobile devices and presenting answers to the class.

Time: 15–30 minutes, depending on format.

Activity: Divide students into groups and divide the following research questions among them:

- How big is the economy of the United States in terms of GDP (which is the value of all goods and services produced within our borders)?
- How many businesses are there in the United States?
- What are the five largest U.S. businesses?
- How many “small” businesses are there in the United States?
- How many people live in the United States and how many people are employed in the United States?
- How many McDonald’s are there in the United States? How many people do they employ?
- How many Walmart stores are there in the United States? How many people do they employ?
- How many Apple stores are there in the United States? How many people does Apple employ?
- The United States has the largest economy in the world in terms of GDP in U.S. dollars. Who are the second and third largest economies?
- How big is the global economy in terms of GDP (which is the value of all goods and services produced)?

Result: Students will work together to find these answers, which is a good way to promote social interaction on the first day of class. Draw a big outline of the United States on the board. As students report their answers, write the answers within the border of the United States—creating an infographic with data about the U.S. economy and business climate. When students report about the second and third largest economies and global GDP, write those answers outside the border of the United States.

Possible discussion questions: How would life change in America if the size of our economy switched places with China and Japan? How would your life change if McDonald’s, Walmart, and Apple all went out of business? Would you rather work in a large business or a small business? Why?

Note for students that this is a tiny glimpse of the world of business and we’ll be touring this world of business over the course of this term.

Key takeaway: The world of business is all around you and has a big impact on your life. This class will teach you more about that world.

1.5 LECTURE OUTLINE

1-1 Why Study Business?

There are four benefits of studying business.

1. Choose a career
2. Improve your career
3. Become a better-informed consumer and investor
4. Become a more influential community member

Lecture activity: The purpose of this activity is to facilitate student introductions and social interaction on the first day of class.

Ask students to write down their career goal. If they don't know yet, they can write, "Don't know." Then ask students to walk around class and find fellow students who are pursuing the same career. Students will form clusters as they find fellow students who wrote the same thing.

Hint: Students should form a cluster based on a general industry. For example, a future nurse and future doctor would form a cluster for those going into health care. Any other students pursuing a health care career would join this cluster.

You will end up with several industry clusters, some students standing alone because they are the only one pursuing a particular career, and a cluster of "don't know" students. From where the students are standing, have them introduce themselves and their career choice.

Lecture activity: This is a follow-up activity that facilitates additional student interaction. Explain that a key skill that employers look for in all industries is teamwork. Ask students to find one fellow student they have not yet met. Each partner has two to three minutes to answer the following questions for their partner:

1. What is your name and where do you work (if working)?
2. What interesting or unusual things have you done in your life? (Do not talk about work or college, but rather hobbies, travel, etc.)
3. Why are you taking this course and what do you expect to learn?

Then ask students to introduce their partners to the class, including the above information they learned. Allow one to two minutes per group, depending on size of class.

Discussion questions: Ask students if they are more likely to use price to determine quality if they have no knowledge or understanding of a product. Is price always a good indication of quality? How might understanding business help you better assess pricing and quality of products?

1-2 Key Takeaway: The benefits of studying business include helping you choose a career, improving your career, making you a better-informed consumer and investor, and making you a more influential community member. These benefits can lead to more fulfilling jobs, higher incomes, and stronger communities.

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Estimated time: 20–40 minutes depending on size of class.

1-3 Understanding Business Basics

A business is an organization that seeks profit by offering products to satisfy society's needs. Those products could be goods or services. A business realizes a profit when their sales revenue is greater than their expenses.

In this course, we'll use different names for a business:

- Organization
- Firm
- Company

These names all refer to the same thing.

Businesses represent roughly 90% of the U.S. economy, which is why they are the focus of this course. The remainder of our economy is made up of the public sector (i.e., government) and the nonprofit sector. It's important to remember that the fundamentals of business apply to these sectors as well.

When we discuss subjects such as ethics, leadership, product development, and accounting, what we'll learn is often transferrable to any sector of the economy. So, if you plan to become a teacher, city planner, or firefighter, this course is relevant to you as well.

To make a business successful, the people in that business perform a variety of key activities. For example,

- Marketing and Sales: market and sell the products that customers want.
- Accounting and Finance: keep track of the money.
- Production and Operations: actually create the goods or deliver the services that customers want.
- Human Resources: help recruit, train, and develop the company's most valuable resource—its people.
- Research and Development: research ideas for new products, services, and technologies.

The Benefits of Business on Society

There are several benefits that businesses bring to society.

Offering valuable products: The ultimate objective of every firm must be to satisfy the needs of its customers. People generally do not buy goods and services simply to own them; they buy goods and services to satisfy particular needs.

Lecture activity: In groups, have students discuss a product that didn't exist 20 or 30 years ago. Then have them give a mini-presentation that contrasts what life was like before that product existed and what it's like now. Students can pick their own products or you can assign products.

Example: Smartphones with maps and GPS, Facebook, iTunes, organic food, mobile apps, online banking.

Providing employment: Offering products that satisfy customer needs requires the coordination of many people to manage manufacturing, sales, management, and a variety of other functions. This benefits society by providing employment. U.S. businesses provide about \$8 trillion in salaries and wages each year, in addition to a variety of health benefits, retirement funding, and other fringe benefits.

Improving Quality of Life

In addition to providing employment, businesses contribute to communities in other ways. This includes paying taxes, charitable giving, and contributing to economic growth.

1-4 Concerns about the Impact of Business on Society

Unfortunately, business can have negative impacts as well. Most managers today are looking for ways to balance their drive to generate profits with the need to harmonize their operations with vital social concerns. These social concerns include:

Health and safety risks: This includes the inherent risks of working in a production environment, the use of potentially unsafe materials in manufacturing, and unsafe product design.

Environmental damage: Production of any product involves the consumption of natural resources. However, when companies don't focus on making these activities sustainable, it can cause irreversible damage to the land, air, and water.

Social disruption: When a company is successful, the increase in employment or customer activity can increase traffic, crowd schools, damage existing businesses, and even change the culture of a community in unwanted ways. On the opposite side, when a once-successful business hits hard times or fails, it can throw thousands of people out of work and bring hardship to entire communities.

Discussion question: What are some examples of companies failing or moving that caused disruption in a community?

Examples: Car companies moving from Detroit, Boeing moving some factories out of Washington State, companies moving production offshore. Students might also have examples of independent businesses in their communities that closed and laid off a large number of people.

1-5 Key Takeaway: Businesses make a variety of positive contributions to society; however, managers must take care to balance their pursuit of profits with vital social concerns.

Estimated time: 15–25 minutes

1-6 Responding to the Business Environment

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The business environment is made up of five factors that affect the success or failure of a business, and they affect consumers as well. The five factors of the business environment are:

- Economic
- Competitive
- Global
- Technology
- Social

Let's look at each one to see how changes in the business environment affect our lives.

Economic factors: The size and health of the economy must always be considered when making business decisions. This fact is especially important when the nation's economy takes a nosedive or an individual firm's sales revenue and profits are declining.

Discussion question: How would changes to the economic environment impact your job opportunities, your potential income, and your overall quality of life?

Competitive factors: Businesses operate in a competitive environment, because competition is a basic component of our economic system.

Discussion questions: How does competition among businesses benefit you as a consumer?
Examples: More choice, lower prices.

What are some downsides for a business that operates in a very competitive industry?
Examples: Price competition lowers profit, must always be upgrading products, need for increased marketing.

Global factors: Not only do American businesses have to compete with other American businesses, but they must also compete with businesses from all over the globe.

Globalization can make new products available at lower costs, but can also increase competition for jobs and natural resources.

Technology factors: Innovations in technology have completely changed how companies produce and distribute products. They have also changed the way companies communicate with customers—and how we communicate with one another.

Social factors: Changes in the demographics of our population, including age, gender, ethnicity, and family composition, will influence what products companies offer and how they operate their businesses. It will also affect the nature of your career and daily life.

Lecture activity: In groups, have students brainstorm how social changes will affect how businesses develop and market their products in the next 25 years. Assign one group to concentrate on age, one group on ethnicity, and one group on family composition. Have groups present their ideas to the class.

1-7 Key Takeaway: When businesses monitor and understand the five factors that affect the business environment, they can respond with management, marketing, and financial strategies that provide the best chance of success.

Estimated time: 15–25 minutes

1-8 Economic Systems

As discussed in the previous section, economic factors are an important component of the business environment. A growing **economy** (the way in which people deal with the creation and distribution of wealth), typically is good for businesses and consumers. However, if the economy has stalled or begins to shrink, the result can be fewer jobs, lower incomes, and less consumer choice. Another economic factor that can affect the business environment is a country's economic system. There are different economic systems in the world today, and those systems largely determine how wealth is made and distributed.

The economic system of a country can also affect the business environment. There are different economic systems in the world today, and those systems largely determine how wealth is made and distributed.

By understanding economic systems, you can better examine how each system will affect your opportunities to make income and create wealth. These systems also affect your choices as a consumer and the prices you pay.

Economies are generally categorized as capitalist, mixed, socialist, or communist.

For the last several decades, economies around the globe have increasingly embraced **capitalism** and free-market economics. Capitalism stems from the theories of the 18th-century Scottish economist Adam Smith. According to Smith, when individuals act to improve their own fortunes, they indirectly promote the good of their community and the people in that community. Smith went on to call this concept the “invisible hand.” Adam Smith's capitalism is based on the following fundamental issues:

1. The right to create wealth
2. The right to own property and resources
3. The right to economic freedom and freedom to compete
4. The right to limited government intervention

Adam Smith's laissez-faire capitalism is also based on the concept of a market economy. A market economy (sometimes referred to as a free market economy) is an economic system in which businesses and individuals decide what to produce and buy, and the market determines prices and quantities sold. The owners of resources should be free to determine how these resources are used and also to enjoy the income, profits, and other benefits derived from ownership of these resources.

Our economic system is rooted in the laissez-faire capitalism of Adam Smith. However, our real-world economy is not as laissez-faire as Smith would have liked because government participates as more than umpire and rule maker. Our economy is, in fact, a **mixed economy**, one that exhibits elements of both capitalism and socialism.

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In a mixed economy, the four basic economic questions (*what is produced, how it is produced, for whom it is produced, and who controls that factors of production*) are answered through the interaction of households, businesses, and governments.

A **command economy** is an economic system in which the government decides what goods and services will be produced, how they will be produced, for whom available goods and services will be produced, and who owns and controls the major factors of production. The answers to all four basic economic questions are determined, at least to some degree, through centralized government planning. Today, two types of economic systems—socialism and communism—serve as examples of command economies.

In a socialist economy, the key industries are owned and controlled by the government. Such industries usually include transportation, utilities, communications, banking, and industries producing important materials such as steel. Land, buildings, and raw materials may also be the property of the state in a socialist economy. Depending on the country, private ownership of smaller businesses is permitted to varying degrees. Usually, people may choose their own occupations, although many work in state-owned industries.

What to produce and how to produce it are determined in accordance with national goals, which are based on projected needs and the availability of resources. The distribution of goods and services—who gets what—is also controlled by the state to the extent that it controls taxes, rents, and wages. Among the professed aims of socialist countries are the equitable distribution of income, the elimination of poverty, and the distribution of social services (such as medical care) to all who need them. The disadvantages of socialism include increased taxation and loss of incentive and motivation for both individuals and business owners.

Karl Marx, the father of **communism**, advocated a classless society whose citizens together owned all economic resources. All workers would then contribute to this communist society according to their ability and would receive benefits according to their need.

Since the breakup of the Soviet Union and the economic reforms in China and most of the Eastern European countries, the best remaining example of communism is North Korea. The basic four economic questions are answered through centralized government plans. Emphasis is placed on the production of goods the government needs rather than on the products that consumers might want, so there are frequent shortages of consumer goods. Workers have little choice of jobs, but special skills or talents seem to be rewarded with special privileges.

Lecture activity: Divide class into two groups to debate the following question: Is the capitalistic system of producing goods and services the best economic system?

Examples for: The capitalist economic system has survived the test of time (more than 240 years) and for most of that time has produced the highest standard of living in the world. People decide what products to buy when they “vote” in the marketplace with their dollars. These individuals are the best judges of what to make, how much to make, and how it should be distributed. Capitalism offers the freedom to select careers, products, services, etc. Some of these freedoms are not available in other economies.

Examples against: The capitalist economy has produced the greatest volume of consistent waste of any economy in human history. People acting as independent and separate decision makers do not allow any opportunity for a more centralized planning system of utilization of

scarce and necessary resources. Capitalism as originally defined by Adam Smith in 1776 does not exist given the presence of so many huge corporations and an increasing amount of government intervention.

1-9 Key Takeaway: The level of economic freedom in a country will affect your opportunities to make income and create wealth. It will also affect your choices as a consumer and the prices you pay.

Estimated time: 10–25 minutes

1-10 Degrees of Competition and Supply and Demand

Business **competition** is essentially a rivalry among businesses for sales to potential customers. The economic system in the United States generally ensures that individuals and businesses make the decisions about what to produce, how to produce it, and what price to charge for the product. As a result, you as the consumer get to choose which products you want to buy.

But within our economic system, *there are different levels of competition from industry to industry*. This affects businesses and consumers. Economists recognize four different degrees of competition ranging from complete competition to no competition at all.

Why Do Degrees of Competition Matter?

As a consumer, the degree of competition in an industry will affect the number of choices you have and the prices you pay for products from that industry. As a business owner or an employee, knowing the degree of competition in your industry can help you choose the most effective business strategies.

Perfect Competition and the Concept of Supply and Demand

Perfect competition is much like Adam Smith's free-market capitalism. In reality, it isn't very common in our modern world. However, understanding the concept of perfect competition provides an important foundation for understanding more common types of competition.

Perfect (or pure) competition is the market situation in which there are many buyers and sellers of a product, and no single buyer or seller is powerful enough to affect the price of that product. When this is the case, prices are decided by the fundamental economic concept of supply and demand.

The **equilibrium price** (also called market price) of any product is the price at which the quantity demanded is exactly equal to the quantity supplied.

In perfect competition, sellers—and buyers—must accept the going price. The price of each product is determined *by the collective actions of all buyers and all sellers through the forces of supply and demand*. The closest examples we find to perfect competition in today's world are certain agricultural products, although it is worth noting that pricing for many agricultural products can be distorted by government subsidies and quotas that affect supply and demand. In categories where there is something resembling perfect competition, companies must pay special attention to minimizing production costs in order to make a profit.

Monopolistic Competition

Perfect competition is quite rare in today's world. Instead, many real markets are examples of monopolistic competition. **Monopolistic competition** is a market situation in which there are many buyers along with a relatively large number of sellers. The key strategic consideration for sellers in these markets is to differentiate their product from competitors. The key strategic consideration for sellers in these markets is **product differentiation** (the process of developing and promoting differences between one's products and all competitive products). It is a fact of life for the producers of many consumer goods, from soaps to clothing to furniture to shoes.

Teaching note: Recommend to students to watch the video in MindTap to learn more about monopolistic competition.

Lecture activity: The restaurant industry is an example of monopolistic competition, where there are many buyers and many sellers. Differentiation of product offerings is key. Ask students to brainstorm how various restaurants differentiate themselves from their competition.

Examples: In the fast food segment, Chipotle focuses on organic, sustainable food sourcing, while Jack In The Box focuses on creative and constantly changing menu items.

Oligopoly

An **oligopoly** is a market (or industry) situation in which there are few sellers. Generally, these sellers are quite large, and sizable investments are required to enter into their market. Examples of oligopolies are the automobile, airline, car rental, cereal, and farm implement industries. In this situation, firms in an oligopoly type industry may use **game theory**, which is used to model the interaction between two or more business firms to determine what will happen if one or more companies take specific actions with regard to changing prices or introducing new products or services. Because there are few sellers in an oligopoly, these sellers frequently match each other's pricing and then try to win customers through product differentiation.

Teaching note: Recommend to students to watch the video in MindTap to learn more about monopolistic competition.

Monopoly

A **monopoly** is a market (or industry) with only one seller, and there are barriers to keep other firms from entering the industry. In a monopoly, there is no close substitute for the product or service. Pricing in some monopoly industries, such as utilities like gas, water, and electricity, is regulated by government. A massive investment is usually required to enter businesses in a monopoly industry, and success is usually dependent on quickly achieving a meaningful share of the market. In certain industries, government regulation effectively prevents new competitors from entering the market at all. This is the case for utility companies in many areas of the country.

1-11 Key Takeaway: As a consumer, the degree of competition in an industry will affect the number of choices you have and the prices you pay. As a business owner or employee, knowing the degree of competition in an industry can help you choose the most effective business strategies.

Estimated time: 15–25 minutes

1-12 Measuring Economic Performance

Before we discuss specific ways in which economic performance is measured, it can be useful to discuss why having these measurements is important.

Lecture activity: Divide students into three groups: one that represents individual consumers, one that represents businesses, and one that represents government. Ask them to brainstorm how a growing economy might affect them and what types of decisions they might make as a result. Ask them to brainstorm the same thing for a shrinking economy.

Examples:

For *individuals*, the health of the nation's economy can affect the financing you need to continue your education, your ability to get a job, and the amount of interest you pay for credit card purchases, automobiles, homes, and other credit transactions.

For *businesses*, the health of the nation's economy can affect plans for hiring employees, plans for investing in new plants and equipment, and plans for launching new products or moving into new markets.

For *government*, the health of a nation's economy can affect the level of taxes collected and whether budgets operate at a surplus or deficit, whether to change the levels of taxation and government spending to influence the economy (this is called fiscal policy), and whether to make changes to the money supply or interest rates to influence the economy (this is called monetary policy).

The Business Cycle

If you were to graph the economic growth rate for a country like the United States, it would feature peaks (high points) and troughs (low points). These fluctuations are generally referred to as the business cycle. When the economy is growing, that is called *expansion*. When the economy is shrinking, that is called *contraction*. When an economy shrinks two quarters in a row, it is described as a **recession**. Recessions typically involve people losing their jobs and an overall drop in household incomes. The U.S. economy is still recovering from a serious recession that began in 2007. While the economy has been growing for several years now, economists generally agree that it has grown too slowly to fully repair the damage that was done during the recession.

Gross Domestic Product (GDP)

Gross Domestic Product (GDP) is the total dollar value of all goods and services produced by all people within the boundaries of a country during a one-year period. For example, the values of automobiles produced by employees in an American-owned General Motors plant and a Japanese-owned Toyota plant in the United States are both included in the GDP for the United States. A growing GDP usually means good things, such as increasing employment and increasing incomes.

Unemployment and Inflation

Two additional indicators that can help us interpret the health of the economy are unemployment and inflation rates.

The **unemployment rate** is the percentage of a nation's labor force unemployed at any time. An increasing unemployment rate means more people are losing their jobs. Although the unemployment rate for the United States is typically between 4 and 6%.

Discussion question: It's possible to analyze the ranks of the unemployed by their education level. How do you think unemployment differs among people with various education levels?

Example: There is almost a direct correlation between education and unemployment. The more education, the lower the unemployment rate for that group.

Inflation is an economic statistic that tracks the increase in prices of goods and services over a period of time. This measure is usually calculated on a monthly or an annual basis. It is called inflation, because typically the price of goods and services increases over time. A low and stable rate of inflation of around 2% is typically regarded as a sign of a stable economy. However, if prices increase too fast, such as a few decades ago when inflation jumped to more than 10%, then your dollars lose purchasing power and it can be a sign of economic trouble.

Deflation is a general decrease in the price of goods and services (the opposite of inflation). At first glance this might seem like a good thing, because you can buy more goods and services with the same amount of money. However, deflation is usually a sign of economic trouble. Declining prices lead to declining profits for companies, which can lead to declining employment and a shrinking economy.

The **consumer price index (CPI)** is a monthly index that measures the changes in prices of a fixed basket of goods purchased by a typical consumer in an urban area. Economists often use the CPI to determine the effect of inflation on not only the nation's economy but also individual consumers.

1-13 Key Takeaway: Understanding indicators of economic health can help individuals, businesses, and governments better allocate their resources and plan for the future.

Estimated time: 20–40 minutes

1-14 Exploring Careers in Business

What do you want to do with the rest of your life? Like many people, you may find it a difficult question to answer. Perhaps you are getting ready to begin your career and are new to the world of business. Or maybe you've been working for years and want to prepare yourself for new opportunities. Either way, what you'll learn in this course can help. You can take what you learn and use it to:

- Choose a career
- Improve your career
- Become a more informed consumer and investor
- Become a more influential member of your community

Discussion question: Ask students what careers they believe will be in most demand in the next 10–20 years. What jobs won't exist in 20 years, or at least not in the way these jobs exist today?

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To learn about careers, you can start researching by using the *Occupational Outlook Handbook* from the U.S. Bureau of Labor Statistics at www.bls.gov/ooh. For each career, you can find a job description, an economic outlook, and links to further resources.

Lecture activity: Explore the BLS Web site by having students suggest occupation groups they are interested in (these are at www.bls.gov/ooh). Then look at some particular job titles in detail.

If you are undecided about your career at this point, there's no need to worry. Browsing the *Occupation Outlook Handbook* can stimulate ideas that you may want to research further. In addition, this course will help you become familiar with a variety of interesting career choices.

1-15 Key Takeaway: Perhaps you are getting ready to begin your career and are new to the world of business. Or maybe you've been working for years and want to prepare yourself for new opportunities. Either way, what you'll learn in this course can help you evaluate and enhance your career.

Estimated time: 10–25 minutes

1.6 ANSWERS TO EBOOK INTERACTIVE FIGURES

1-1 Interactive Figure - The Benefits of Studying Business

Statement: After learning about marketing, I decided it would be a fun career; some of my classmates realized they love numbers and they want to go into accounting or finance.

Answer: *Choose a career*

Statement: After some of the chapters, I was able to take what I learned and apply it the next day at work. My manager was impressed by my new knowledge.

Answer: *Improve your career*

Statement: I look at my purchase decisions completely differently now. I see the big picture in terms of what goes into making and selling a product, which allows me to better think through whether I'm getting a good value.

Answer: *Better informed consumer and investor*

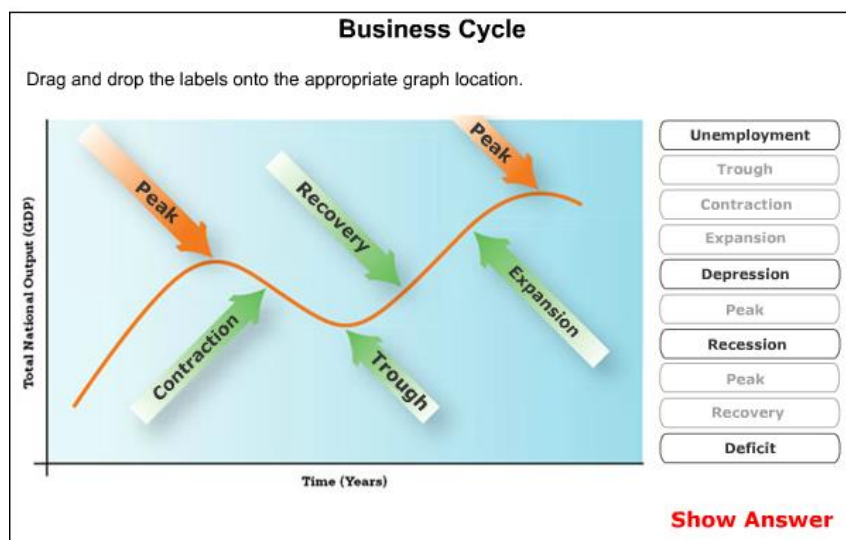
Statement: Before this class, I didn't think much about how business impacts our communities—in good and sometimes bad ways. But now I see how much influence consumers have on the choices businesses make.

Answer: *More influential community member*

1-6 Interactive Figure - Identify Five Factors Affecting the Business Environment

1. Economic
2. Competitive
3. Global
4. Technology
5. Social

1-12a Interactive Figure - The Business Cycle



1.7 ADDITIONAL HOMEWORK/CLASSROOM ACTIVITIES

Social Media Exercise

Today, many companies have a social media presence on Facebook, Twitter, Instagram, and other sites beyond their corporate website. Think of three of your favorite companies and conduct a quick search using a search engine like Google or Yahoo!.

Answer the following:

1. Name the social networks each company uses.
2. Compare each of their Facebook pages. How many “likes” does each company have? Are there multiple pages for the company? How much interaction (or engagement) is on each Facebook page?
3. What business goals do you think each company is trying to reach through their Facebook presence?

Journaling for Success

The journal exercises can be used as informal writing assignments that are checked off or they may be graded. Some instructions you may wish to give for Lesson 1 might include the following:

1. Answer all questions.
2. Check grammar and spelling.
3. Bullet points are acceptable.
4. Be honest in your answers—the purpose of these questions is to help prepare you to be a successful employee.
5. Be as specific as possible.
6. Use the language and concepts from the course whenever possible.
7. Provide examples as appropriate.

Assume that you are interviewing for a position as a management trainee in a large corporation. Also assume that this position pays \$45,000 a year.

1. Describe what steps you would take to prepare for this interview.

A thoughtful answer should include a brief discussion of research the student will do as well as a self-assessment relative to what the student might have to offer. A sample answer follows.

The first thing I would do is research the company online. I would want to know:

- *its mission statement.*
- *the products and services it provides.*
- *total revenue and sales.*
- *what its growth areas are.*

The second thing I would do is look for recent articles on the company to see what problems it may be having or what opportunities exist.

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After looking at its situation, I would make a list of the skills and attributes I possess that it could use. For example, if the company is looking to expand into South and Latin America, my minor in Spanish will be an asset.

2. Assuming that you get the management trainee position, describe the personal traits or skills that you have that will help you to become successful.

Students have a variety of skills they can discuss in this answer. A thoughtful answer might consider traits or skills that have helped them in school and part-time work, clubs, activities, and athletics.

In their descriptions, students should indicate how each particular trait or skill will help them. For example, being disciplined means they will be able to set their own deadlines and make sure that work gets done without prodding, while being a fast reader means that they can keep up with new information. A typical student answer might look like the following:

I am a hard-working person who is not satisfied unless a job is done well. Whether it is a paper I write for school or waiting on a customer at work, I make sure that I cover all the bases. I ask questions to make certain that everything is being done correctly. I am also good at organizing a lot of material. This enables me to work on more than one thing without losing my place or missing deadlines.

3. Describe the one personal skill or trait that you feel needs improvement. How would you go about improving your weakness?

Some traits students may wish to work with include shyness in groups, giving in to others too easily, or a tendency to get flustered when confronted with stress or difficult deadlines. Some things they could do would be to find books or articles that address those issues or talk to professors who could point them in the right direction. Skills are easier to address than traits, as there are courses, programs, and so forth, that help people with their skills. A typical student answer might look something like this:

I am not as organized as I would like to be. Occasionally, I lose track of papers and deadlines, which creates issues with professors and bosses. I work hard, and my work is good, but I get stressed when I am disorganized. Specific actions I can take include making lists on my mobile device rather than on pieces of paper I can lose. I will also keep a calendar and pen with me at all times to write down right away any dates I need to remember.

Researching and Following a Company Throughout the Course

This exercise is a continuing exercise and will have optional homework exercises in the Instructor's Manual for many of the lessons.

Have students identify a public company in which they are particularly interested. Have them explain why they are interested in it, and have them make a list of potential sources they will use to research the company for the duration of the course. They should write a brief overview about the company indicating what industry it is in, who its major competitors are, and where the company headquarters are located. With each continuing assignment, students should document their sources of information, as they would with any research project.

Article Report

Have students bring in an article that discusses the current business environment. It could be from newspaper, magazine, or printout of online article from reliable source. The article can discuss the economic environment as a whole, or the environment within a particular industry.

1.8 MINDTAP UPDATES

- Revised Concept Checks in section 1-4, 1-8, and 1-10a.
- Revised the Tying It Together activity
- Revised the Lesson Assignments
- Revised the entire Test Bank
- Revised the Adaptive Test Prep questions
- Updated the You Make the Decision activity with brand-new full color videos