



Business Management
Chapter 3 Economic Environment of Business

(a) labor (b) privatization (c) recession (d) profit (e) utility (f) economics (g) supply (h) socialism (i) producer (j) depression (k) capital goods (l) communism (m) market economy (n) mixed economy (o) business cycle (p) non-economic wants (q) economic wants (r) capitalism (s) human capital (t) private property, (u) factors of production, (v) inflation (w) competition, (x) economic growth, (y) capital formation, (z) consumer goods and services (z2) demand, (z3) command economy, (z4) , economic system, (z5) natural resources (z6) Consumer Price Index (CPI)

- _____ 1. The body of knowledge that relates to producing and using goods and services that satisfy human wants is called.
- _____ 2. The economic system, however, operates on the basis of ____?__ the desire for scarce material goods and services.
- _____ 3. Desires for non-material things that are not scarce, such as air, sunshine, friendship, and happiness.
- _____ 4. The ability of a good or a service to satisfy a want.
- _____ 5. Anyone who creates utility is a _____?
- _____ 6. Resources, called ____?__, are land, (natural resources), labor, capital goods, and entrepreneurship.
- _____ 7. Anything provided by nature that affects the productive ability of a country.
- _____ 8. The human effort, either physical or mental, that goes into the production of goods and services.
- _____ 9. A part of labor is ____?__, the accumulated knowledge and skills of human beings-the total value of each person's education and acquired skills.
- _____ 10. Buildings, tools, machines and other equipment used to produce other goods but do not directly satisfy human wants.
- _____ 11. The production of capital goods is called?
- _____ 12. Goods and services that directly satisfy people's economic wants.
- _____ 13. Organized way for a country to decide how to use its productive resources; that is, to decide what, how, and for whom goods and services will be produced.
- _____ 14. Economic system in which individual buying decisions in the marketplace together determine what, how, and for whom goods and services will be produced.

- _____ 15. Economic system in which a central planning authority, under the control of the country's government, owns most of the factors of production and determines what, how, and for whom goods and services will be produced.
- _____ 16. Economic system that uses aspects of a market and a command economy to make decisions about what, how, and for whom goods and services will be produced.
- _____ 17. Transfer of authority to provide a good or service from a government to individuals or privately owned businesses.
- _____ 18. Economic-political system in which private citizens are free to go into business for themselves, to produce whatever they choose to produce, and to distribute what they produce.
- _____ 19. Economic-political system in which the government controls the use of the country's factors of production. (Vital Resources)
- _____ 20. Extreme socialism, in which all or almost all of a nation's factors of production are owned by the government.
- _____ 21. Consists of items of value that individuals have the right to own, use, and sell.
- _____ 22. Computed by subtracting the total costs of producing the products from the total received from customers who buy them.
- _____ 23. Refers to the number of products that will be bought at a given time at a given price.
- _____ 24. Refers to the number of like products that will be offered for sale at a particular time and at a certain price.
- _____ 25. Rivalry among sellers for the consumers' dollars.
- _____ 26. Occurs when a country's output exceeds its population growth.
- _____ 27. Measure of the average change in prices of consumer goods and services typically purchased by people living in urban areas.
- _____ 28. Decline in the GDP that continues for six months or more.
- _____ 29. Rapid rise in prices caused by an inadequate supply of goods and services.
- _____ 30. Pattern of irregular but repeated expansion and contraction of the GDP.
- _____ 31. A long and severe drop in the GDP.

Review Facts

1. How does an economic want differ from a non-economic want? Give example of each.
2. List the four most common types of utility and the four basic factors of production.

3. What is the difference between capital goods and consumer goods?
4. In relation to capital formation, what is one cause for the scarcity of consumer goods in North Korea?
5. How is a market economy different from a command economy?
6. compare Capitalism, Socialism, and Communism as to (a) how each allocates scarce resources among alternative wants and (b) the existence of private property.
7. Is the profit earned by business usually overestimated or underestimated?
8. What special feature of a free enterprise system helps keep the prices of goods and services down?
9. How might a business attract customers from other sellers?
10. List three examples of non-price competition.
11. Is the demand high and the supply low for unskilled workers?
12. Other than increasing the production of goods and services, what other element is required for economic growth?
13. List two ways that the government measures economic growth.
14. List three problems that can occur within an economy when the growth rate is too fast or too slow.
15. List three devices used by the government to control economic growth.



As of this writing, Go Daddy is a very successful company. We're far and away the leader in the domain name registration market. It's ironic that it is, because when I started Go Daddy, I didn't do it to make money. I started Go Daddy to have something to do. Throughout the process of building the company — as I have always been the only investor — I came creepy close to going broke. But that's another story. Since 1997 when I started Go Daddy, there was only one principle that I used to build the company. It's a simple one. Do the right thing for the customers and provide them with as good a deal as possible. No smoke and mirrors — ever. The whole idea back then, and it continues today, is to make a little money from a lot of people. This differs from many companies who have just the opposite philosophy.

Not long ago, an applicant asked if Go Daddy is an exit strategy for me, or, whether it is a lifestyle. It's certainly not an exit strategy. I'm asked almost on a weekly basis if I want to sell the company. The prices I am offered are incredibly generous. I never really consider any of them. For me, the answer to that applicant's question, is that Go Daddy is a lifestyle. It's what I do, and in many ways it's my hobby.