First Quote From Your Textbook

“A business uses the resources of society to create new wealth. This justifies its existence and is its priority task. All other social tasks – raising an army, advancing knowledge, healing the sick, or raising children – depend on it.”


How Business Creates Wealth

Inputs
Land  Labor  Capital

Outputs
Business
Products  Services

Outputs valued more by society than the inputs used!

The Wealth a Business Creates is Divided into Three Components

1. Profit
2. Consumer surplus, and
3. Taxes

- The profit component goes to the owners of the business,
- The consumer surplus component is kept by consumers, and
- The taxes component goes to government.
Second Quote From Your Textbook

“The function of business is to make a profit by producing goods and services at prices attractive to consumers.”

Two More Quotes From Your Textbook

“Businesses must, therefore, be managed to make a profit.”

“Without profit, business fails in its duty to society…”

Another Quote From Your Textbook

“Business models arise to satisfy vices such as adultery, gossiping, gambling, smoking, drug use, and prostitution.”
A Business Model

“A brief statement of how the business plans to earn or actually earns a profit.”

Example: Google's business model
Index the entire worldwide web's contents frequently and store the results in a proprietary database. Provide users with free state-of-the-art search services based on that database. Charge businesses for a) the right to have their business or product appear near the top of specified search results, and/or b) the right to have their advertisements appear on the results page... when specified search terms are used.

“Business models arise to satisfy vices such as adultery, gossiping, gambling, smoking, drug use, and prostitution.”


Example: ashleymadison.com, covered in “Tangled Webs” at the end of chapter 8.

The Wheel of Business, Government, and Society

Government passes new laws and regulations to address society’s complaints.

Business affects society in a variety of ways, some positive, some negative.

Society complains to government about the negative effects.
The Market Capitalism Model

- Owners of Land
  - Rent
- Owners of Labor
  - Wages
- Owners of Capital
  - Interest and dividends

Business

Products and services
Revenue
Consumers

Use of the Land

The Conflict Model of Business, Govt. & Society

- Govt.
- The Media
  - E, J, L
- Product Market
  - Consumers
- Labor Market
  - Workers
- Raw Material and Transportation Markets
  - Suppliers and Transportation Partners

Business

The Stakeholder Model

- Customers
- Suppliers
- Government
- Media
- Employees
- Owners
- Community
- Environment
- Suppliers
- Manufacturers
- Customers
- Government
- Media
- Employees
- Owners
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- Manufactur