

How Economic Conditions Affect Business

Understanding Canadian Business 7th Edition

What is Economics?

- Economics is the study of how society chooses to employ resources to produce goods and services and distribute them for consumption among various competing groups and individuals.

Macroeconomics

- Looks at the operation of a nation's economy as a whole eg. Gross domestic product
- Microeconomics – looks at the behavior of people and organizations in particular markets. Eg particular industry or particular region of the economy

Resource Development

- is the study of how to increase resources and to create the conditions that will make better use of those resources eg. Recycling and oil conservation

Adam Smith

- Was one of the first people to imagine a system for creating wealth and improving the lives of everyone.
- In 1776 he wrote the book – An Inquiry into the Nations and Causes of the Wealth of Nations – it was considered the foundation of the study and understanding of the newly developing capitalist industrial society

Adam Smith (continued)

- He believed that freedom was vital to the survival of any economy especially the freedom to own land or property and the freedom to keep profits from working the land or owning a business.

How businesses Benefit the Community

- Under Adam Smith's theory, business people don't necessarily deliberately set out to help others. They work primarily for their own prosperity and growth.
- Invisible Hand – a phrase coined by Adam Smith to describe the process that turns self-directed gain into social and economic benefits for all.