

# 17 The Economic Environment

Why are some countries comparatively wealthy while others suffer economically? Why are some countries' per capita income annual income \$500, while others are over \$20,000? Is this disparity in incomes one of the reasons one country threatens another? How can one country become as prosperous as another and lesson tensions between the two countries? Such questions are part of the subject of economics.

Through the study of different countries, economists suggest that one answer to these questions is that the basic economic and political systems either do or don't encourage entrepreneurship and wealth creation. Would this also be one reason why one U.S. city would be prosperous and another is not?

**Economics:** 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.

A major portion of America's business success is due to an economic and social climate that allows businesses to operate freely. Therefore, it is useful to explore the economic environment in which business is conducted because any change in the U.S. economic or political system has a major influence on the success of the business system. World economics and politics also have a major influence on businesses in the United States. Therefore to understand business, you must also understand basic economics and politics.



The basic objectives of this chapter are to teach you: