

Chapter 5 The Free Enterprise System

Section 5.1 Traits of Private Enterprise

Section Outline with Content and Academic Vocabulary

Section Outline

Basic Principles

Ownership

Business Ownership

Intellectual Property Rights

Competition

Price and Nonprice Competition

Monopolies

Risk

Profit

Economic Cost of Unprofitable Firms

Economic Benefits of Successful Firms

Supply and Demand

Surpluses

Shortages

Equilibrium

Content Vocabulary

private enterprise Business ownership by ordinary people, not the government. (p. 113)

patent A document granting an inventor sole rights to an item or an idea. (p. 114)

trademark A word, name, symbol, sound, brand name, brand mark, trade name, trade character, color, or a combination of these elements that identifies a good or service and cannot be used by anyone but the owner because it is registered with the federal government and has legal protection. (p. 114)

copyright Anything that is authored by individual, such as writings (books, magazine articles, etc.), music, and artwork. (p. 115)

competition A business relation in which parties compete to gain customers. (p. 115)

price competition A focus on the sale price of a product. The assumption is that, all other things being equal, consumers will buy the products that are lowest in price. (p. 116)

nonprice competition When businesses choose to compete on the basis of factors that are not related to price, including the quality of the products, service, financing, business location, and reputation. (p. 116)

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Section Outline with Content and Academic Vocabulary *continued*

monopoly Exclusive control over a product or the means of producing it.

(p. 117)

business risk The potential for financial gain, loss, or failure. (p. 117)

profit The money earned from conducting business after all costs and expenses have been paid. (p. 118)

supply The amount of goods producers are willing to make and sell. (p. 119)

demand Consumer willingness and ability to buy products. The law of demand is the economic principle that price and demand move in opposite directions.

(p. 119)

Academic Vocabulary

purchase To acquire by means of a financial transaction. (p. 113)

interact To act together or toward others or with others. (p. 116)