1. Entrepreneurs In A Market Economy

LESSONS:
- What is an Economy
- The Cost Concept
- The Role of the Government in a Market Economy

What is an Economy?

Goals: In this lesson, we are going to
- describe a market and command economy:
- get a look at the demand and supply concept
- discuss the effects of market structure on price
- and the functions of of business in a market economy

Scarcity

Definition:
Scarcity is a situation when the needs and wants of people are unlimited and the needed resources to produce the goods and services to meet the needs and wants are limited.
NB: This situation occurs in every economy.

Command Economy

In this type of economy, the goverment is the one who determines what, how and for whom the various products and services are produced.

Market Economy

In a market economy, the individuals are the ones to decide what, how and for whom goods and services are to be produced.

Productivity

It is the level of output that an industry or company gets from each worker or each unit of input into its products and services.

Supply

The quantity of good or service a supplier is willing to produce at different price levels.
It is evident that suppliers will be willing to supply more of a product or service at a higher price.

Demand

The quantity of a good or service an individual will need or desire at a given price.
Individual‘s demand or consumption of a product or service will increase at a lower price.

Demand & Supply Equilibrium

The point at which demand and supply curves meet is called the equilibrium price and quantity. It is the price at which demand is equal to supply.

Market Structure

Monopoly:
It is a market situation whereby a single company controls all the market.

Business Activities in a Market Economy

Below are the business activities that take place in a market economy:

- Production
- Marketing: Product, Distribution, Price & Promotion
- Management
- Finance

2. The Cost Concept

Lessons:
- Identify the different types of costs
- See how the various types of costs affects the prices charged by entrepreneurs

Fixed Cost & Variable Cost

Fixed Cost:
These are costs that you are obliged to pay no matter the quantity of goods or service produced. They are also called sunk costs.
Variable Cost:
These are costs that changes (up or down) depending on the quantity of good or service produced. They vary with the quantity of goods or services produced.

Marginal Benefit & Marginal Cost

Marginal Benefit:
It is a measure of the advantage received in producting an additional unit of a good or service.
Marginal Cost:
It is a measure of the disadvantage of producing an additional unit of a good or service.

Opportunity Cost

Opportunity Cost:
This is the cost of choosing one opportunity or investment over another or others. It can also be seen as the cost of forgoing one opportunity and choosing another.

The Role of the Government in a Market Economy

- Purchases
- Taxes
- Subsidies

Government‘s Effect on What is Produced

- Purchases
- Taxes
- Subsidies

The Role of the Government in an Economy

- Regulator (Inspects and issues licenses)
- Provides public goods
- Provides social programs
- Re-distributes income