

CHAPTER

4

BUSINESS AND THE COMMUNITY

STUDENT EXPECTATIONS

After completing this chapter, you will be able to

- describe the type of economic system that Canada has
- distinguish between private and public ownership
- explain how a public-private partnership works in a business environment
- describe how privatization can affect both public and private sector businesses
- describe how businesses generate wealth, jobs, and income
- identify and explain the phases of a business cycle
- understand how businesses affect quality of life on the job site and in the community



Profile



Emmie Leung stands in front of a wall of paper about to be recycled.

GARBAGE GURU

When Emmie Leung talks trash, people listen. A pioneer in the field of recycling, Leung has built her company, International Paper Industries (IPI), from a one-woman operation to a multimillion-dollar business with four processing facilities in the Vancouver area.

After completing a business degree at the University of Manitoba in 1976, Leung left Winnipeg to start her venture on the West Coast. Her friends reacted with skepticism. In 1976, few people in North America had given any thought to recycling. "Everybody's attitude was consume, consume, consume," recalls Leung. In contrast, the young graduate had grown up in Asia where reusing and recycling were part of everyday life. She could have settled in California where a growing environmental movement was already taking root, but Leung had already decided that Canada was home. "I liked the culture of this country," she explains. "For this lonely soul, there was nothing better than a friendly atmosphere."

In the beginning, work was hard and progress was slow. But Leung broke new ground—she convinced municipalities to participate in her unusual plan of collecting and recycling newspapers and, later, plastic, glass, and tin. "I started with a penny," is how

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From the start, Leung ensured that her raw materials were not only available and transportable, but marketable and saleable as well.

she describes her experience. "Then there were two pennies, then four. At first, the pennies weren't accumulating very fast."

In 1982, Leung moved into her first plant just as recycling began to take off. The public, government, and industry were becoming more interested in recycling. This concern translated into a growing market for a greater variety of recyclable products. Thanks to Leung, the infrastructure for collection and processing was already well established in Vancouver.

IPI's success is partly the result of Leung's approach, exemplified by the company motto "Market first, collection second." From the start, Leung ensured that her raw materials were not only available and transportable, but marketable and saleable as well. "What is the point of collecting fancy garbage?" she asks. "Everything we touch we are able to divert to the right use. We are able to find markets for even the most challenging items."

Nowadays, those items are the innumerable types of plastic that are slowly beginning to be recyclable. According to Leung, only 30% of plastics are currently processed into new products. IPI has also begun to address the problem of garden waste. Branches, clippings, and leaves are collected separately, processed in the industrial composting system, and sold as fertilizer.

Lately, Leung's biggest challenge has been competition from other companies vying for a place in the relatively volatile market for "natural resources, the second time around." At the same time, IPI continues to expand. Under the name Halton Recycling, it runs operations in several Ontario cities. Someday, Leung hopes to have operations in Winnipeg as well, a city for which she still has a soft spot.

About This Profile

1. How did the public, government, and industry help Leung's business take off?
2. What products are made from recycled newspapers, plastic, glass, and tin?
3. What types of jobs might Emmie Leung's company create? What other benefits might a recycling business bring to a community?

Economic Systems

BEFORE YOU BEGIN

In what ways is government involved in the business community? Make a note of your ideas so that you can return to them at the end of the chapter.

Several different types of economic systems operate in the world today. An **economic system** is the way government and businesses work together to provide goods and services to consumers. Because the economic resources that are used to produce goods and services are limited, the amount of goods and services that can be produced is also limited. For example, a car company can produce only a certain number of vehicles because it has only a certain number of workers, factories, pieces of equipment, and steel. Human wants, however, are relatively unlimited. Consequently, government agencies and businesses need to answer three major economic questions:

1. What goods and services should be produced?
2. How should these goods and services be produced?
3. For whom should the goods and services be produced?

Let's see how three model economies—pure command, pure market, and modern mixed—address these three basic economic questions.

PURE COMMAND ECONOMY

In a **pure command economy**, such as a communist system, the government owns the natural resources, farms, factories, machinery, offices, and most businesses. It controls all economic decision making and provides the answers to all three economic questions. The government decides what goods and services will be produced, how they will be produced, and for whom they will be produced. The government also establishes wages and benefits.

PURE MARKET ECONOMY

In a **pure market economy** (also called a free market, free enterprise, or capitalist system), the actions of buyers and sellers of goods and services direct the economic system. In other words, the marketplace decides the answers to the three economic questions. Consumers determine what will be produced by the dollars they spend. Competition among producers dictates how goods and services will be produced. Consumers affect this process by seeking competitive prices. Consumers in competitive markets also answer the “For whom?” question—they reward producers by buying their goods and services and increasing business incomes.

What's Free About Free Enterprise?

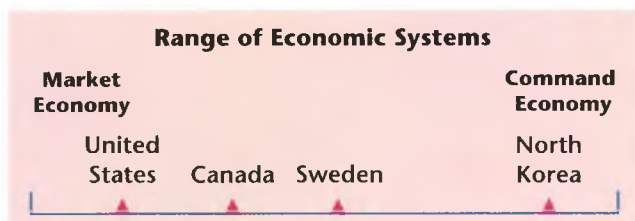
In a free enterprise system, a business is “free” to establish a place of operation and is encouraged to make a profit. Consumers are “free” to buy goods and services when and where they choose. Profit and competition are two features of free enterprise. (See Chapter 1.) Other features include freedom to own private property and freedom of choice. Freedom to own **private property** means that individuals and businesses can own, use, or dispose of things of value. **Freedom of choice** means that individuals can make their own choices as long as they don't break any laws. They can start or invest in any business they wish, and produce any product or service they choose, in any way they choose, as long as they act legally.

MODERN MIXED ECONOMY

In reality, no economic system operates in a pure form. In fact, economies are mixed. They contain elements of both models in varying proportions. Such economies are known as **modern mixed**

economies. Figure 4.1 shows the position of several countries in terms of their mix of market and command systems. Canada's economy, for example, is primarily a market system, but includes aspects of the command system. In Sweden, the government plays a larger role in the economy.

Figure 4.1



ACTIVITIES FOR ...

INFORMATION

1. **a)** What are the three major economic questions?

2. **a)** What are the characteristics of a free enterprise system?

3. **a)** Define “modern mixed economy.”

CONNECTION

b) Why does a company with limited resources need to answer the three major economic questions? Explain, using an example other than a car manufacturer.

b) If Canadians were not allowed to own private property and did not have freedom of choice, what impact would this have on business?

b) Give an example that shows how the Canadian economic system is a modern mixed economy.

EXTENSION

c) In a three-column chart, summarize how command and market economies answer each of the three economic questions.

c) Even though businesses have many freedoms under our economic system, there are many activities that they are not free to do. For example, businesses are not allowed to provide an unsafe environment for workers. List five other activities that businesses are not allowed to do.

c) Why might it be desirable for a country to have elements of both a command and a market economy?

The Private and Public Sectors

Canada's modern mixed economy has a private and a public sector. In the **private sector**, businesses are individually owned and operated. Their purpose is primarily to make a profit. In the **public sector**, different levels of government provide services to Canadians. Schools, public utilities, and hospitals are three examples of services provided by public sector businesses. The purpose of these businesses does not usually include making a profit.

Public ownership may be undertaken for a variety of reasons. For example, to protect cultural industries from too much American influence, the federal government created the Canadian Broadcasting Corporation (CBC) in 1936 and the National Film Board (NFB) in 1939.



Part of the CBC's mandate is to tell stories that reflect the diversity of Canada, and to build bridges among Canadians who live in different regions and speak different languages.

Petro-Canada was established as a Crown corporation in 1975 to give the federal government a strong presence in the oil industry and to help develop new Canadian energy resources. (The federal government sold 80% of Petro-Canada to the private sector in 1995.) Another Crown corporation, Human Resources Development Canada (HRDC), was set up to provide training programs for individuals and startup funding for businesses.

OTHER BUSINESS COMBINATIONS

In addition to private and public ownership, there is an unofficial third sector: public-private partnerships. When the private sector and public sector go into business together, a public-private partnership is formed. This partnership attempts to combine the best features of private ownership and public control. As well, businesses that were once owned by the public sector are sometimes privatized—they are sold to or taken over by the private sector.

E-ACTIVITY

Visit
www.business.nelson.com
and follow the links
to find out other
interesting facts
about
Confederation Bridge.

Public-Private Partnerships

Public-private partnerships, sometimes called P3s, are businesses from the public and private sectors that have pooled resources and gone into business together. Public-private partnerships form because a proposed business venture or project is simply too big for one sector to assume. The construction of the Olympic villages in Montreal and Calgary, for example, involved partnerships between the public and private sectors. In Atlantic Canada, a partnership composed of Canadian and international business groups as well as the federal government constructed Confederation Bridge. This structure, which links the provinces of New Brunswick and Prince Edward Island, is the world's longest bridge over ice-covered waters.

Another advantage of P3s is that risks and responsibilities are shared between the private and public sectors, giving the business venture a better chance at success. P3s permit private and public businesses to take advantage of each other's expertise and resources. Furthermore, a private business may want to partner with a public business to benefit from the power and influence that the public business has in the marketplace.



The 12.9 km Confederation Bridge opened on May 31, 1997. It has bridge patrol and surveillance 24 hours a day, as well as a monitoring station that provides information on weather conditions such as wind speed, wind direction, air temperature, road temperature, and humidity.

BUSINESS — FACT —

The world's largest privatization so far occurred in Italy.

The Italian government sold a 34.5% stake in the country's largest electricity producer, ENEL, for \$14 billion.

Privatization

Privatization occurs when a publicly owned business or industry is sold to the private sector. A government may decide to privatize a service because it feels that the private sector could do a better job, or because the government is losing money providing that service. The newly privatized business then operates like any other business in the private sector.

Privatization can be accomplished in one of two ways: The government can stop providing a service directly and rely on the private sector to deliver the service, or the government can sell its assets to private buyers. **Assets** are things of value that a business owns.

Any federal, provincial, or municipal government service can be privatized. For example, in the fall of 1998, the Ontario government passed Bill 35 to deregulate Ontario Hydro. Power generation and hydro sales and service became competitive industries. Consumers in Ontario can now purchase their electricity from whomever they choose.

Alberta is experimenting with the privatization of education by introducing charter schools. A **charter school** is a school that is run by a private business while receiving funds from the provincial government. The school is accountable for money spent. If the school does not meet standards and guidelines set by the government, its charter can be taken away and it will cease to exist as a business.

ACTIVITIES FOR ...

INFORMATION

1. **a)** Define "private sector" and "public sector."

2. **a)** What is a P3?

3. **a)** Why might a public business privatize?

CONNECTION

b) List examples of services provided in your community by the public sector and by the private sector.

b) Think of a private sector business in your community. Give an example of how it might benefit by partnering with a business in the public sector.

b) What do you think would happen if a public swimming pool were privatized? Consider both the quality of the service and the cost to you, the consumer.

EXTENSION

c) Choose a public sector business and find out why it was established. How successful has it been in achieving its objectives? Present your results in an oral report—perhaps from the point of view of someone analyzing the business.

c) Find out about a project in your community that was the result of a partnership between public and private business. When was the project undertaken, and why? Design a poster that gives five interesting facts about the project.

c) Research a business in your community that has been privatized. What effect has the privatization had on the community, for example, on price, quality, variety, number of employees, and taxes paid?

Contemporary Issues in Canadian Business

THE ISSUE: PUBLIC SECTOR PRIVATIZATION

What is privatization?

Privatization occurs when businesses that are owned by the government are sold to the private sector. Police services, the post office, local health units, social service agencies, public utilities, and local water services are all examples of government-owned, or public sector, businesses. In most cases, these businesses can continue to operate even if they do not make a profit. Their operating costs are paid by money the government receives through taxation. If these businesses were in the private sector and did not make a profit, they would quickly shut down. But if they *were* in the private sector, would they operate more efficiently and be more profitable?

In many cases, the debate about privatization centres on this question: Whom can the public trust to provide the best service at the best possible price? Let's examine the two sides of this issue.

Point

Many people who support privatization argue that private sector businesses provide better services at lower prices than public sector companies. One reason for this is that many public sector businesses are monopolies. A **monopoly** is a business that is the only supplier of a particular good or service to consumers. Since no one else provides the good or service, the monopoly doesn't have to work as hard to improve the quality of its product, and it can charge whatever price it wants (as long as consumers will pay it). However, if a public service is sold to the private sector, or if a partnership is established with the private sector, competition may be introduced in the marketplace. This competition can mean lower prices and improved quality for consumers.

Private sector businesses are often more efficient than public sector businesses. In 1996, Transport Canada privatized its air navigation service (ANS). NavCanada, a private sector company involved in air traffic control and flight information, bought ANS from the federal government for \$1.5 billion. NavCanada implemented many changes that made the system more efficient, including eliminating 1100 jobs, mostly in administrative areas, and consolidating six regional offices into two to avoid duplication of services. Because of these and other changes, it now costs less to fly in Canada than it would if the ANS were still operating Canada's air traffic control system.

Whom can the public trust to provide the best service at the best possible price? Since prices and services both improve when there's pressure from competition, the answer seems to be that consumers will be served better by a private company than by one in the public sector.

Counterpoint

Most private buyers who acquire public sector businesses have fewer financial resources than the government. This means that the private buyers often have to look for ways to save money. Saving money may mean providing poorer-quality service, increasing the cost of the service, or reducing the number of staff.

Perhaps the biggest drawback of privatization is the increased cost to the consumer. With increased costs, people who have more money may get better service than people who are poor, and some people may no longer be able to afford the service at all. What would happen if, for example, public libraries were privatized? In most places, local residents do not have to pay anything to belong to a

public library (although the library does charge a small fee for overdue materials). However, if the library were privatized, it would need to make a profit to survive, and membership fees would likely be implemented. Residents might also have to pay a fee each time they took materials out of the library. And, of course, overdue charges would still apply. Under private ownership, residents would be charged a fee for most of the services that public libraries now offer for free.

And, what happens if a privatized business fails? The federal government sold Air Canada to the private sector in 1988. Since then, Air Canada has taken over Canadian Airlines and increased its market share. (See Chapter 6 for more information about market share.) But Air Canada has also had many problems. Customers have complained about poor service, long waits, and scheduling conflicts. Prices of fuel have increased and Air Canada's profitability has suffered.

When a public sector company has financial troubles, it can turn to the government for additional funding that will help it continue to do its job. When a private sector company runs out of money, it has to raise prices, cut services, or go out of business altogether. For this reason, many people believe that public sector organizations that offer vital services, such as health care, should not be privatized.

A Real Life Example

A two-tier health care system provides two levels of health services. At one level is the public health care system, which provides free medical services to all Canadians. The second level of health services is provided by private businesses, which charge a fee.

Alberta's Health Care Protection Act (Bill 11) became law on May 10, 2000. The new law gives regional health authorities the option to contract out minor surgical procedures under certain conditions. It extends public funding to private clinics that offer overnight surgery. It also allows private facilities to charge patients for services that go beyond what the government considers necessary.

Will the Alberta law improve health care delivery? According to a study conducted by the Fraser Institute, private hospitals are more efficient

than government-run facilities. The study also found that increased competition among hospitals actually enhances health care delivery because more attention is paid to such things as cleanliness and bedside manner. But will the poor have the same access to health care as the rich? Many people oppose the Health Care Protection Act because they believe that it will lead to the privatization of more and more services. Eventually, people may have to pay a user fee for many of the health services that are now guaranteed under the Canada Health Act.



Do you think patients receive better medical care in a private hospital?

Questions and Activities About This Issue

1. Other than ANS and Air Canada, what government businesses have been privatized? Has privatization worked for these new private sector businesses?
2. Do other provinces have legislation similar to Alberta's Health Care Protection Act? What is the federal government's position on privatized health care?

Impact of Businesses on the Community

The first part of this chapter looked at the Canadian economic system, briefly studied its features, and distinguished between the public and private sectors. This is the “big” picture. The “smaller” picture illustrates what impact businesses from both sectors have on the community.

GENERATION OF WEALTH

When a person decides to open a business, many “wheels” are set in motion. If, for example, the new business plans to occupy existing building space, renovations may be necessary to make the space suitable for the new operation. The work space has to be designed; rooms may have to be constructed or altered; walls may need painting; and everything must be cleaned thoroughly.

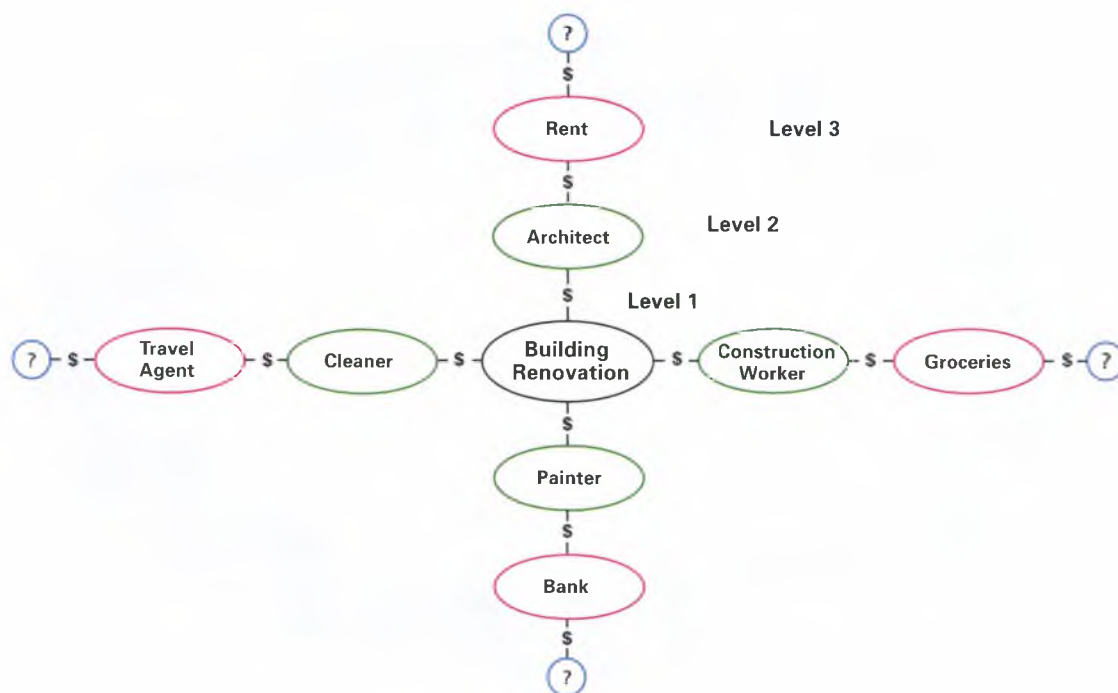
Usually, the renovation involves many people with various skills. An architecture firm designs the work space; a renovation firm does the construction work; painters paint the walls; a cleaning company makes sure everything is washed and dusted, ready for opening day. These tasks represent only the “behind the scenes” work. Other jobs might include stocking shelves with inventory, adding furniture and fixtures to the work area, setting up computer hardware and software, installing phone and cable lines, and making sure that office supplies are available.

The architects, construction workers, painters, and cleaners all receive money for their work. Their payment can be considered “level one” money. They then apply, or spend, this money in many ways. The architect uses the funds to pay rent; the construction worker buys groceries; the painter repays debts to a bank; the cleaning person spends the money on a winter vacation. This money can be referred to as “level two” money. Each time this money changes hands, a business or consumer is affected in some way. The “money trail” could be followed to even further “levels” as the original funds continue to change hands. (See Figure 4.2.)

The owners of a new business meet with an architect to look at the blueprints and calculate renovation costs.



Figure 4.2 Generation of Wealth



GENERATION OF JOBS

Have you looked at the classified ads in a newspaper or searched the Internet for employment opportunities lately? When businesses establish themselves or expand in a community, they create jobs. The job market is influenced by several factors: consumer demand, changes in business cycles, technological improvements, and competition. Sometimes, these factors produce negative results such as job loss; at other times, the factors have positive effects on employment opportunities.

STRETCH YOUR THINKING

The fur industry is experiencing a revival. It now employs over 80 000 Canadians, 90% of whom are trappers. In groups, discuss both sides of this issue: animal rights versus jobs.

Consumer Demand

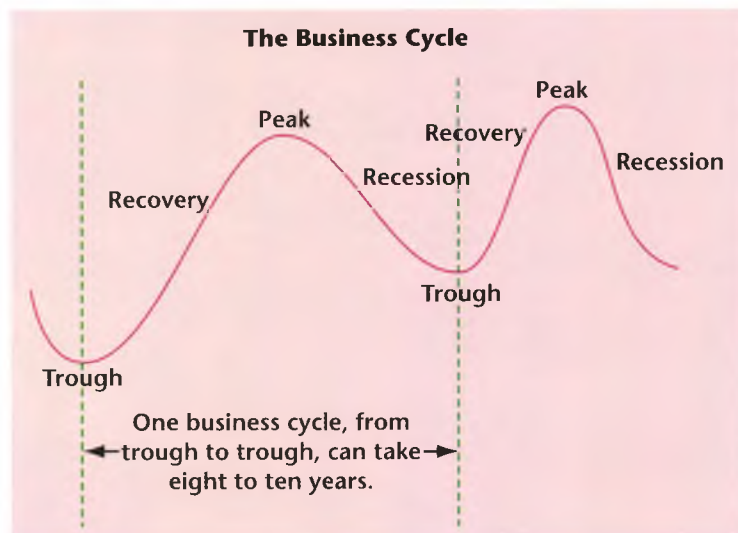
When consumers indicate that there is a demand for a good or service, businesses try to meet that demand. In response to increased consumer interest in electronics, for example, businesses have responded with many new products, such as PlayStation2, the i2000 digital phone, and an interactive robot named RoboNagi. Each new product requires human resources to produce, market, and sell it to consumers. In other words, the new products create job opportunities.

If consumer demand shifts, jobs may be eliminated. For example, in the 1980s, animal-rights protests decreased consumer demand for fur and hurt fur exports. This decreased demand led to the loss of many jobs. Similarly, if a product becomes obsolete because of a disappearing demand, jobs may be eliminated in the workforce.

Business Cycles

The Canadian economy has its ups and downs: The economy fluctuates in cycles. A **business cycle** has four phases: trough, recovery, peak, and recession. Business cycles usually last from eight to ten years, but the length of time between each phase varies considerably.

Figure 4.3



During the **trough** phase of a business cycle, economic activity is at its lowest level. Many people are unemployed. Those who are employed are uneasy about the economy and reluctant to part with their money. Given low sales in the marketplace, businesses have difficulty making a profit, banks are reluctant to lend money, and bankruptcies increase.

Eventually, the business cycle enters a **recovery** phase. Demand for goods and services increases as people begin to replace existing goods. With the increase in demand, existing stock is depleted and businesses have to increase produc-

tion. This increases job opportunities. With growing confidence in the economy, people spend more money.

With growing employment and increased wages, the business cycle enters the **peak** phase. The economy experiences prosperity and reaches the highest point in the business cycle. People begin investing in speculative ventures and buying real estate and stocks, and prices of goods and services increase.

Unfortunately, this phase does not last forever. Optimistic producers overestimate market demands and overproduce. This leads to worker layoffs and a decline in consumer spending. Eventually, the economy begins to slow. The business cycle has entered the fourth stage, a **recession**. As the recession worsens, the business cycle once again enters the trough phase.

If the economic situation becomes severe, a recession can lead to a **depression**. During a depression, unemployment is high, prices decline, businesses fail, and economic activity is greatly reduced. The Great Depression, which began in 1929, was worldwide. It lasted 10 years. Fortunately, Canada has not experienced a depression of this magnitude since then.

BUSINESS — FACT —

Because business cycles are unpredictable and the length of each phase is uncertain, it is difficult for businesses and consumers to plan for the future.

STRETCH YOUR THINKING

Besides people moving, what other shifts have you noticed in your community? How have they affected businesses?

THE CHANGING COMMUNITY

When businesses move, the wealth, income, and jobs in a community are affected. Over the past couple of decades, businesses in communities all across Canada have shifted their locations as the urban scene has changed. When people began moving out of downtown areas into the suburbs, many businesses also abandoned the downtown core to move their operations into suburban mall locations. The malls provide enclosed environments and free parking for consumers. The downtown areas found it difficult to attract new businesses to replace those that had left. As a result, downtown cores entered a difficult period.

In recent times, urban renewal programs have improved many downtown cores. This process, known as **gentrification**, includes replacing run-down housing with luxurious high-rise condominiums. Many single people and childless couples with high incomes choose to live in these new buildings, which are close to work and entertainment. The increase in the number of residents with high incomes has had a positive impact on the business community in these downtown areas. As shifts like these take place, job opportunities shift accordingly.

A Closer Look

All businesses, no matter how big or small, whether in the private or public sector, have an impact on the community. Let's examine some of the main businesses in the city of London, in western Ontario. If these businesses are successful, the community benefits through employment opportunities, money spent and invested in the community, revenue generated through the collection of taxes, and quality of life. However, if these businesses fail, wealth, jobs, and income are lost, and quality of life suffers. The closure of a large business that employs hundreds of people can devastate a community.

CITY SERVICES

The city of London operates many businesses that provide services to the community. These include fire and police departments, garbage pickup and recycling, public transit, road construction, and the collection of commercial and residential taxes. Each service benefits the people of London. For example, the fire and police departments protect London's citizens and their property. Garbage pickup and recycling help keep the city clean and preserve the environment. Road construction and public transit ensure that people and goods move through the city safely and efficiently. With the commercial and

residential taxes that the city collects, it is able to continue providing services to the people who live there.

Sometimes, instead of using its own employees to provide a service, the city of London hires outside contractors. For example, it might be more efficient for the city to hire a private paving company to do road repairs. The practice of subcontracting work to other companies is known as **outsourcing**.

HEALTH AND EDUCATION

Education and health care are important businesses in London. There are public and separate school systems, private schools, and institutions of higher learning such as Fanshawe College and the University of Western Ontario. Health-related businesses include pharmacies, the London Health Sciences Centre, the London Regional Cancer Centre, and the Middlesex-London Health Unit.

Not only do these businesses provide the people of London with quality education and health care, but they attract further investment to the community. This generates even more jobs, wealth, and income. For example, more than \$70 million is spent every year in London on research activities at public and private health institutions, such as the London Health Sciences Centre, the John P. Robarts Research Institute, the Lawson Health Research Institute, and the London Regional Cancer Centre.

BUSINESS — FACT —

The London Health Sciences Centre has over 7200 employees. Imagine the amount of wealth that this one business generates for the London community.

Approximately 23 000 full-time students are enrolled at the University of Western Ontario. What types of jobs are created to meet these students' needs?



Technological Improvements

Businesses have taken advantage of changes in technology to increase the efficiency of their operations. Computers have altered the way business is done. Changes in technology have resulted in job loss, but many new jobs have also been created. For example, automated bank machines (ABMs) have made banking more convenient for consumers, but they have reduced the number of tellers needed in financial institutions. However, employees are needed to build, service, and maintain the ABMs. In this way, banking machines have created many new types of jobs.

Competition

In a free enterprise economy, businesses need to be competitive to survive. One of the most effective ways to compete is to charge less than other competitors. In order to charge less for the same product or service, businesses must become more efficient, use fewer resources, and make better deals with suppliers. Sometimes, becoming more efficient means trimming jobs.

GENERATION OF INCOME

Income, or revenue, is the money that a business has received or expects to receive. Most businesses try to find as many different sources of income as possible. These include

- selling goods or services
- earning interest on money held in a bank account. For example, if customers pay a business immediately but the business takes 90 days to pay its bills and places the money in a bank account, the money will earn interest.
- investing extra funds in short-term interest-earning investments (Chapter 8 deals with generating business income and Chapter 11 deals with saving and investing in greater detail.)

Not only do businesses earn income, they generate income for the government through the taxes that they pay—including property taxes and taxes on profits—and through the taxes that their customers pay—sales taxes. The government can then use this income to provide more services to the community.

STANDARD OF LIVING

The wealth, jobs, and income that businesses generate for themselves and for the communities they serve have an impact on people's



Some people feel that taking the streetcar represents a better standard of living because public transportation reduces pollution and traffic congestion, and costs less than owning a car.

standard of living. **Standard of living** is the way a person lives as measured by the kinds and quality of goods and services that person can afford.

The standard of living for a high school graduate just entering the business world is probably quite different from that of a successful businessperson. The amount of money each of these individuals has to spend on needs and wants accounts for much of this difference. However, a higher standard of living does not necessarily

mean a better standard of living; that assessment depends on a person's viewpoint. While some people may feel that owning a house and car represents a higher standard of living than renting an apartment and taking public transportation, not everyone would agree. The apartment dweller, for example, may prefer to spend weekends on the golf course or boating instead of being burdened with yard work. And the transit rider may have strong environmental views.

QUALITY OF LIFE

The quality of a business environment has a direct impact on the life of the workers in that environment. High-quality work environments provide employees with a range of opportunities. Factors that contribute to a positive work environment include adequate incomes with regular raises, benefits packages, health and social services, educational and recreational programs, advancement opportunities, and profit sharing options. (See Chapter 7 for more information on employee benefits.)

Businesses also have an impact on the quality of life in a community. In most cases, businesses have a positive effect, creating wealth, jobs, and income. Businesses also make it convenient for local consumers to obtain goods and services at a fair price. At the same time, businesses can have a negative impact on a community. Consider the effect that the construction of a new airport would have on a nearby residential area. While building the airport would certainly provide wealth, jobs, and income, there would also be a cost. Airplanes taking off and landing would increase noise and air pollution, and diminish the quality of life of the residents living nearby.

CULTURE AND RECREATION

Many public and private businesses in London focus on culture and recreation. Londoners can visit art galleries, museums, movie theatres, libraries, and historic sites. They can play baseball or soccer, swim, skate, bike, or bowl. These activities enrich their cultural life and contribute to their physical well-being.

TOURISM

Many businesses in London sell goods and services not only to the people who live there, but to tourists. These businesses include museums, galleries, and historic sites; restaurants and hotels; car rental firms and taxi companies; and book shops and clothing stores. Tourists generate additional wealth, income, and jobs for the residents of London.

To help businesses in the tourism industry, London has an organization called Tourism London. It is run and supported by tourist businesses in the private and public sector. Tourism London works to promote London as a tourist destination and, therefore, bring additional business to its members. It also offers its members many benefits, including

- continuing education about the tourist industry
- advice on marketing and advertising
- identifying new opportunities for tourist businesses
- help in forming partnerships with other tourist businesses

E-ACTIVITY

Visit
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London's Chamber of Commerce

Like most cities, London has a chamber of commerce where citizens and visitors can go to find out about services and activities in the community. The chamber of commerce also offers important services to businesses, including professional and business development and opportunities to network with other businesses. Other agencies in the community, such as the London Economic Development Corporation, have been established to attract new businesses and industries to the city. By encouraging and supporting businesses, these organizations also contribute to the community.

ACTIVITIES FOR ...

INFORMATION

CONNECTION

EXTENSION

1. a) In what different ways do businesses have an impact on the community?

b) Using the information in the text as a guide, describe what impact the opening of a new restaurant would have on your community.

c) Create an illustration similar to Figure 4.2 that shows how your spending affects the community.

2. a) What factors influence the job market?

b) How many jobs have been gained or lost in your community over the past year? Identify reasons for this job gain or loss.

c) Give an example, other than in the banking industry, where a technological improvement has led to both a job loss and a job gain.

3. a) Identify and explain the phases of a business cycle.

b) What impact would each phase of the business cycle have on your community?

c) Which of the four phases of the business cycle best describes where the Canadian economy is today? In which stage of the cycle do you think Canada will be in two years? Explain your reasoning.

4. a) Define "standard of living."

b) "A business can have both a negative and positive effect on a community." Explain this statement, using an example other than an airport.

c) Gentrification is a controversial issue. Residents who have lived in an area for many years may have to move because they can't afford to live in the new luxury homes. Research this issue and present arguments to support both sides. You may wish to use a point/counterpoint approach. Then, debate your findings.

5. a) List some services that the private and public sectors provide in London, Ontario.

b) How do these services affect life in the community, from the point of view of both business and quality of life?

c) Contact the chamber of commerce in your community. Use the categories "city services," "culture and recreation," "health and education," and "tourism," to find out what services are available for local residents.

Review

Knowledge and Understanding

1. Match each of the following terms to the correct definition:

business cycle	private sector
economic system	privatization
modern mixed economy	standard of living

- a) A system that enables government and business to work together to provide goods and services to consumers.
 - b) A sector represented by individually owned and operated businesses.
 - c) The way you live as measured by the kinds and quality of goods and services you can afford.
 - d) It consists of four phases—trough, recovery, peak, and recession.
 - e) A process whereby government-owned businesses are sold to the private sector.
 - f) An economy that combines the features of more than one economic system.
2. Name the three types of economic systems and identify their characteristics.
3. Using the telephone book as a resource, name two public service agencies or departments for each of the three levels of government.

Thinking and Inquiry

1. If workers produce fewer goods and services than expected, what effect will this lower production have on the nation's standard of living?
2. If you were in charge of tourism in your city, what four things would you do to attract tourists? Use specific examples where possible.
3. Imagine that many auto and steel plants close throughout Canada. Thousands of workers lose their jobs in a relatively short period of time. If the country has been enjoying prosperous times, into what phase of the business cycle might it now be headed, and why? Describe other conditions that might occur.

4. Why is outsourcing becoming more popular in the business world? What problems might outsourcing cause?
5. "If you use your earnings to raise your standard of living by spending, saving, and investing, you are, in turn, supporting the business community." Explain this statement, giving examples.

Communication

1. Central City's chamber of commerce and economic development council have persuaded a computer manufacturing and processing plant to open in the city's industrial park. The company expects to employ 300 people. Write a letter to the editor of the local paper listing at least five ways that you think the city would benefit from the new business.
2. Communist countries like China and Cuba do not encourage free enterprise. With a small group, discuss the disadvantages for businesses and consumers in these countries. What advantages can you think of?

Application

1. Interview the partners of a public-private partnership in your community or in the surrounding area. Find the answers to the following questions:
 - a) How long has this partnership been in operation?
 - b) How has it benefited each party?
 - c) What problems have arisen and how were they resolved?
 - d) Would the partners recommend a public-private partnership to other businesses?
2. How do businesses affect the quality of life in your community? To find out, visit three businesses. Talk to employees and to people who buy goods or services from each business. Create a plus/minus chart to show your findings. Based on your findings, which one of the businesses would you recommend for an award for improving the quality of life in your community? Present an award that you designed to that business.

REFLECT ON YOUR LEARNING

1. Return to the Before You Begin question on page 63. Have your ideas about this topic changed after reading this chapter? Explain.
2. Explain what makes Emmie Leung's company, International Paper Industries, a free enterprise.