LGA Personal Finance / Economics Class

*Vocabulary and Notes*

**Business and Labor**

***3 Main Types of Businesses***

Sole proprietorship – business owned and operated by a single person

Partnerships – business owned by two or more people

Corporation – business recognized by law that has many of the rights and responsibilities of an individual

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| ***Type of Business*** |  ***Structure*** | ***Advantages*** | ***Disadvantages*** |
| Sole Proprietorship | Easiest to set-up | \*Proprietor has complete control\*can make decisions quickly | \*Owner is financial responsible – **unlimited liability**\*difficult to raise **financial capital** – the money needed to run or grow a business\*difficult to attract qualified employees |
| Partnership | Established by a legal agreement – **articles of partnership** | \*Because of multiple owners, can usually raise more money than proprietorships\*Each partner brings additional talents to the business | \*complex legal structure\*unlimited liability and responsible for debts of partnership |
| Corporation | **Charter** – a government document granting permission to organize \*see below | \*easy to raise financial capital from stock sales\*can grow to be large\*professional managers can be hired to run business\*ownership can be easily transferred\***limited liability** – only the corporation, not the owners, is responsible for debts | \*expensive and complex to set up\*owners have little say in management\*subject to more regulation by government\*stockholders are subject to **double taxation** – paying taxes twice on corporate profits (corporation pays tax on profits then stockholders pay income tax on earnings from distributed stock) |

Parts of a Charter

\*Name, purpose, address, and features of business

\*Specifies the amount of stock – ownership shares of the corporation – to be issued

\*Stockholders become the owners of the corporation

\*Board of Directors – elected by stockholders to act on their behalf

Other Types of Businesses

Not-for-profit – a nonprofit organization operates in a businesslike way to promote the interests of its members

Cooperative – a nonprofit voluntary association of people formed to carry on some kind of economic activity that serves to benefit its members

***Labor Unions***

Labor Unions – groups of workers who band together to have a better chance to obtain higher pay and better working conditions

Craft or Trade Union – workers who perform the same skills joined together (plumbers union)

Industrial Union – different types of workers who all belong to the same industry (United Auto Workers)

\*Majority of workers must vote to a union to bring one in.

Closed Shop – a worker had to belong to a union in order to be hired by a company

\*In 1947, the Taft-Hartley Act made it illegal for any company that makes goods that are sold in states other than which the company is located

Union Shop – companies hire nonunion people, but those people must join the union once they begin working (more common now)

Right-to-work Laws – states that allow workers a choice about joining a union \*22 states

\*Alabama is a right-to-work state as well as all of the south

\*Northeast US and West coast have many states without right-to-work laws

Modified Union Shop – workers do not have to join the union after they are hired but they can choose to do so. If they do, the must stay with the union as long as they work for the company.

Collective Bargaining – officials from the union and the company meet to discuss the terms of the workers’ new contracts

Mediation – a third party is brought in to try to help reach an agreement through compromise

Arbitration – a third party listens to both sides and the decides on who to settle the disagreement

Strike – all workers in the union refuse to go to work

Lockout – the company blocks workers from entering its buildings until they agree to accepts its contract terms

***Roles/Responsibilities of Business in Economy***

1. Responsibilities to Consumers
* Safety, work as promised, truthful in advertising
1. Responsibilities to Owners
* Transparency – revealing accurate income statements and other reports on a regular basis to owners
1. Responsibilities to Employees
* Safe workplace, without discrimination
* Discrimination - treating employees different based on race, religion, color, gender, or age
1. Responsibilities to Community
* Social responsibility - obligation they have to pursue goals that benefit society as well as themselves