Definitions of the Three Economic Sectors

For Profit Firms:

- They make and sell private goods and services.
- Their ultimate goal is to make a profit in selling or making goods and services.
- The "market" (supply, demand, buyers, and sellers) influences their decisions.
- They work towards customer satisfaction.
- Customers voluntarily pay to purchase their goods or services.
- They are able to give the buyer what he or she wants at the lowest cost possible (while still making a profit).
- They will not take on unprofitable activities.

Government:

- It provides public goods* or services that are needed by the public (national defense, parks, etc.).
- It can regulate the for-profit firms (e.g., trust-busting, environmental requirements, etc.).
- It can control areas of society through taxes/fees (e.g., public schools receive funding through taxes).
- Its focus should be on serving the needs of the nation and the people.

Nonprofit Organizations:

- They can provide public goods or services needed by the public.
- They can provide private goods.
- These organizations receive trust from those receiving the service and those supporting the service.
- Funding comes from voluntary giving of their supporters or grant funding.
- Their main focus is to accomplish organizational goals and break even with money coming in but no profit (earnings must be put back into the organization).

* **Public goods:** There are two characteristics of public goods:

- Nonexcludability: consumers cannot be prevented from using or benefiting from it.
- Nonrivalry: one person's use does not reduce the amount available for use by others.