

UNIT III

**CHS. 7-9: MARKET STRUCTURES AND
BUSINESS ORGANIZATIONS**



PAGE 23 – PERFECT COMPETITION

Directions: Answer questions 1-5, 7 and 9 on pg. 197 in the textbook.



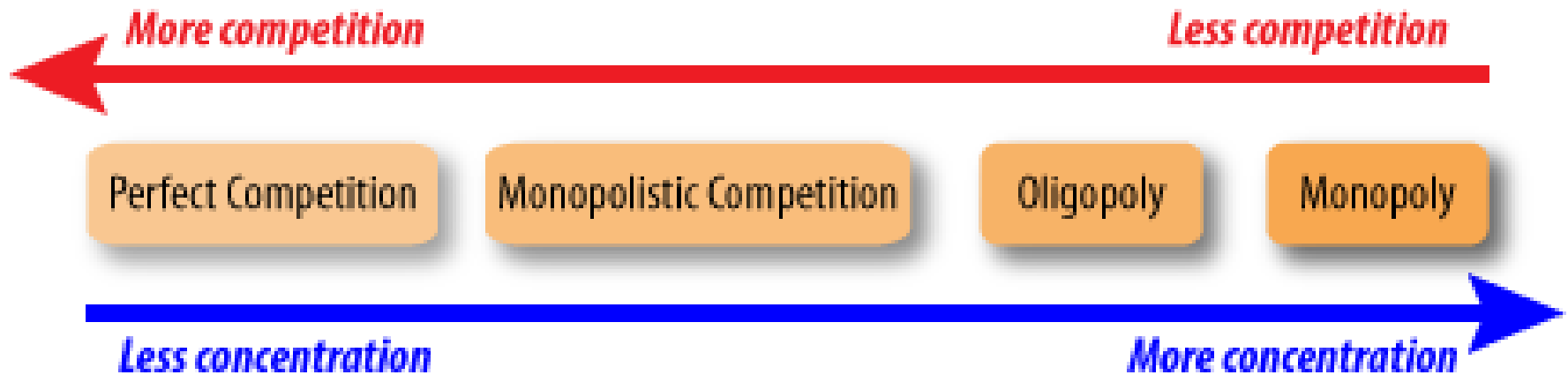
PAGE 25 – MONOPOLIES

Directions: Answer questions 1-5, 7 and 9 found on pg. 205 in the textbook.



PAGE 26 – MARKET STRUCTURES: THE TWO EXTREMES

Market Structures



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*Perfect competition is an ideal model of a market economy.



PAGE 26 – MARKET STRUCTURES: THE TWO EXTREMES

Characteristic 1: Many Buyers and Sellers

- Customer choice = Low prices
- No one buyer or seller has power to control prices

Characteristic 2: Standardized Products

- Price is only basis for consumer choice



PAGE 26 – MARKET STRUCTURES: THE TWO EXTREMES



Characteristic 3: Freedom to Enter and Exit Markets

- No regulations – free market
- Profit motive

Characteristic 4: Independent Buyers and Sellers

- No collusion, No price fixing
- Supply and demand set equilibrium price

PAGE 26 – MARKET STRUCTURES: THE TWO EXTREMES

Characteristic 5: Well-informed Buyers and Sellers

- Buyers can compare prices
- Sellers know what competitors charge, what buyers willing to pay

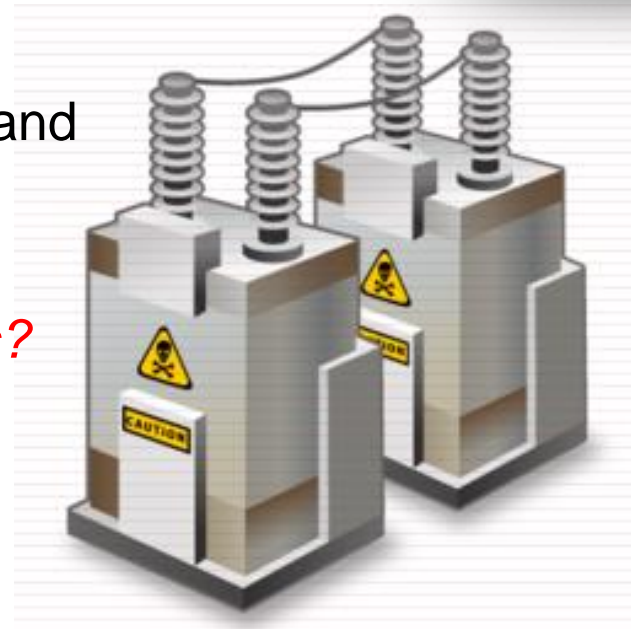


PAGE 26 – MARKET STRUCTURES: THE TWO EXTREMES

Natural Monopoly

- **Costs of production are lowest with only one producer.**
- **Economies of scale** - average production cost falls as production grows
- Government both supports and regulates

Can you think of any examples?



PAGE 26 – MARKET STRUCTURES: THE TWO EXTREMES



Government Monopoly

- **Government runs some businesses that provide goods and services**
- Private firms cannot or do not want to provide because of low profits



Can you think of any examples?



PAGE 26 – MARKET STRUCTURES: THE TWO EXTREMES

Technological Monopoly

- **Patent - legal registration of inventions; gives inventor sole right of production**
- Allows businesses to recover costs of development
- Monopoly lasts for time limit of patent or until substitute invented

Can you think of any examples?



PAGE 26 – MARKET STRUCTURES: THE TWO EXTREMES

Geographic Monopoly



- Physical isolation - no other supplier in area - lets owner control prices
- Very small market may not support two businesses of same type



Can you think of any examples?



PAGE 27 – CH. 7 SEC. 3

Directions: Read pages 206-211, and answer questions 2-5, and 10.



Who loves cereal?



GROUP ACTIVITY

- Working with your table, create a list of all the types of breakfast cereal that you can. You have two minutes.
 - Now that you've created a list, use an electronic device to find the manufacturer of each type cereal.
 - *Go to Google and type in "list of cereal" -*
 - How many different manufacturers were you able to find?
- Kellogg's Post General Mills
Malt-o-Meal Kashi Quaker Oats
- Why do you believe there are so few sellers?



PAGE 28 – OLIGOPOLIES

Characteristic 1: Market has few sellers and many buyers

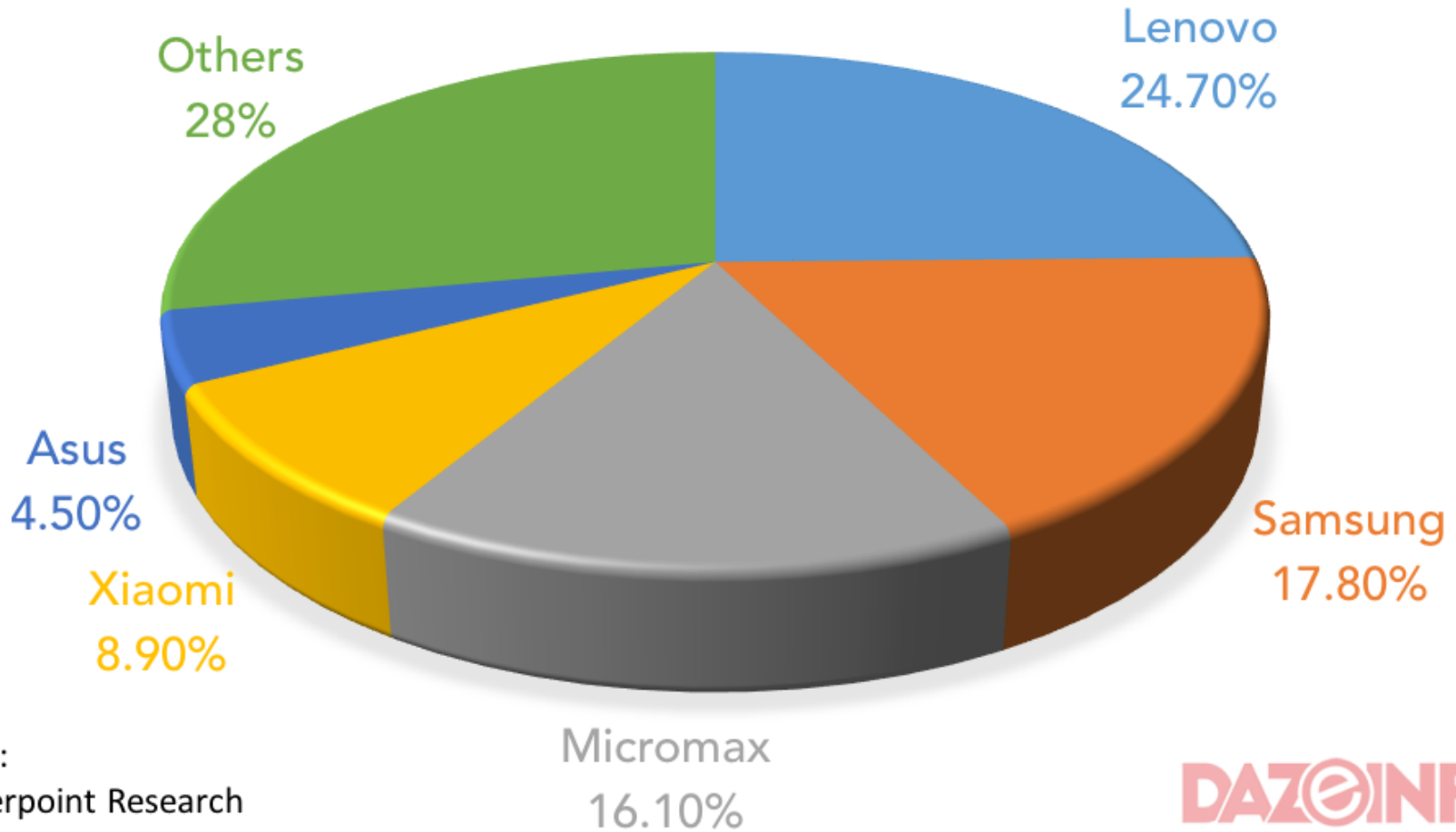
- An industry is an oligopoly if four firms control 40% of market.

Can you think of any others?

soft drinks, movies, industrial products



ONLINE SMARTPHONE BRAND SHARE IN INDIA



Source:
Counterpoint Research

DAZEINFO



Check yourself before you wreck yourself:

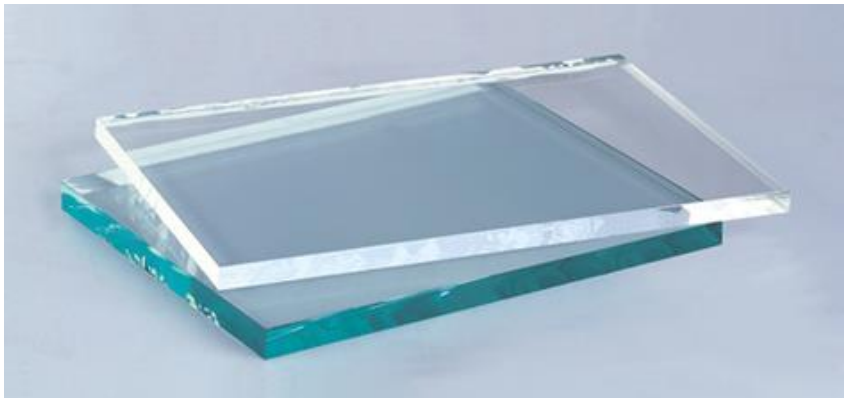
Is this an oligopoly? Why or why not?



PAGE 28 – OLIGOPOLIES

Characteristic 2: Can be both standardized and differentiated products

- **Industrial, agricultural products = standardized**
 - Differentiated by brand name, customer service reputation, convenience of locations
- **Consumer goods = differentiated**



PAGE 28 – OLIGOPOLIES

**Characteristic 3: Companies
have much control over prices**



- **Each firm's decisions about supply and price affect entire market.**
- **If one firm lowers prices, others probably will too.**
- **If one raises prices, others may not in order to gain market share**



PAGE 28 – OLIGOPOLIES

Characteristic 4: Little freedom to enter or exit market

- **High start-up costs make entry hard**
- **Established firms have resources, patents, economies of scale**
- **High investment by firms in oligopoly make exit difficult**



Think about it: What would result if AT&T just shut down?



PAGE 29 – GOV'T INVOLVEMENT

Acronym	Agency	Date	Purpose	Examples of Responsibilities
1. FDA				
2. FTC				
3. SEC	Securities and Exchange Commission	1934	Regulates the market for stocks and bonds to protect investors	Investigates complaints, sues individuals and companies that break laws
4. FCC				
5. EPA				
6. CPSC				
7. FAA				
8. IRS				
9. VA				
10. CIA				
11. DOT				



PAGE 29 – GOV'T INVOLVEMENT

Agency	Purpose
Food and Drug Administration (FDA)	Protects public health through the regulation and supervision of the food and supplements industry, drug market, medical devices, etc.
Federal Trade Commission (FTC)	Promotes consumer protection by eliminating and preventing anticompetitive business practices (<i>monopolies</i>).
Securities and Exchange Commission (SEC)	Regulates the market for stocks and bonds to protect investors
Federal Communication Commission (FCC)	Regulates the communications industry, including radio, television, cable and telephone services
Environmental Protection Agency (EPA)	Protects human health by enforcing environmental laws regarding pollution and hazardous materials
Consumer Product Safety Commission (CPSC)	Sets safety standards for thousands of types of consumer products, issues recalls for unsafe products
Federal Aviation Administration (FAA)	Regulates all aspects of civil aviation, including all airports, personnel, and aircraft
Internal Revenue Service (IRS)	Responsible for collecting taxes and administering the Internal Revenue Code; provides tax assistance to taxpayers, and resolves instances of tax fraud.
Dep't of Veteran's Affairs (VA)	Operates medical facilities, clinics, and benefits offices and is responsible for administering programs of benefits for veterans, their families, and survivors.
Central Intelligence Agency (CIA)	Tasked with gathering, processing and analyzing national security information from around the world, primarily through the use of human intelligence.
Department of Transportation (DOT)	Serves to ensure a fast, safe, efficient, accessible, and convenient transportation system that meets the vital national interests and enhances quality of life.

WHICH AGENCY IS RESPONSIBLE?



PAGE 30 – TYPES OF BUSINESS ORGANIZATIONS

- Divide the page into four equal sections. You will need to use the entire page. Include the following in each box.

1. Sole Proprietorship <ul style="list-style-type: none">• <i>What is it?</i>• <i>4x Advantages</i>• <i>4x Disadvantages</i>	2. Partnerships <i>Be sure to specify between general and limited.</i>
3. Corporations	4. Franchises



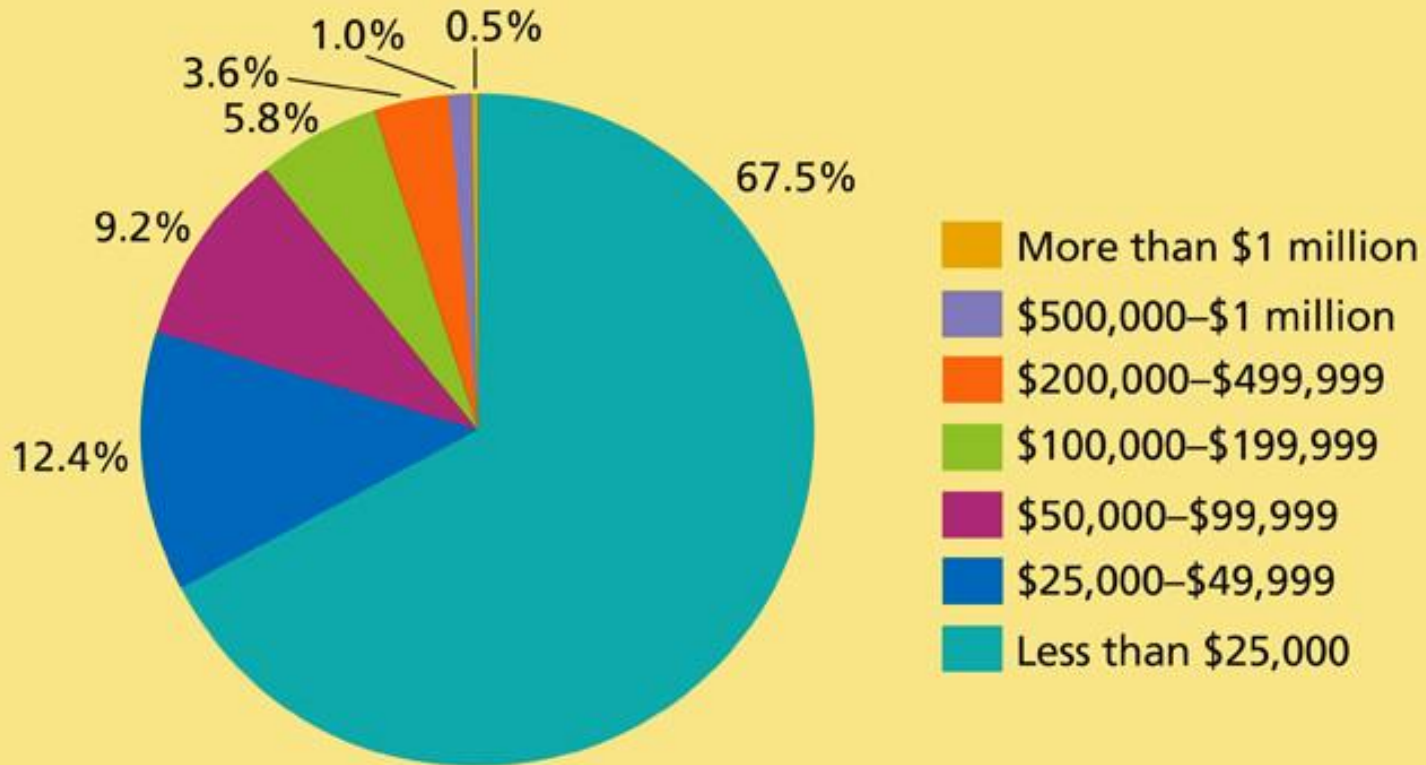
PAGE 30 – TYPES OF BUSINESS ORGANIZATIONS

Type of Organization	Advantages	Disadvantages
Sole Proprietorship	<ul style="list-style-type: none"> • Easy to start up, close down • Sole proprietor has satisfaction of running business his or her own way • Few regulations * Taxed once • Sole proprietor keeps all the profits 	<ul style="list-style-type: none"> • Limited funds • Limited life • Unlimited liability
Partnership	<ul style="list-style-type: none"> • Easy to start up, close down • Few regulations * Taxed once • Greater access to funds • Partners share in decision making • Partners may bring complementary skills to the business 	<ul style="list-style-type: none"> • Unlimited liability • Shared decision making may create conflict among partners • Limited life
Corporation separate legal "entity"	<ul style="list-style-type: none"> • Greatest access to funds • Business run by professionals • Limited liability • Unlimited life 	<ul style="list-style-type: none"> • Difficult to start up • More regulations • Double taxation • Owners may have less control of running the business



PAGE 30 – TYPES OF BUSINESS ORGANIZATIONS

FIGURE 8.1 SOLE PROPRIETORSHIPS BY REVENUES

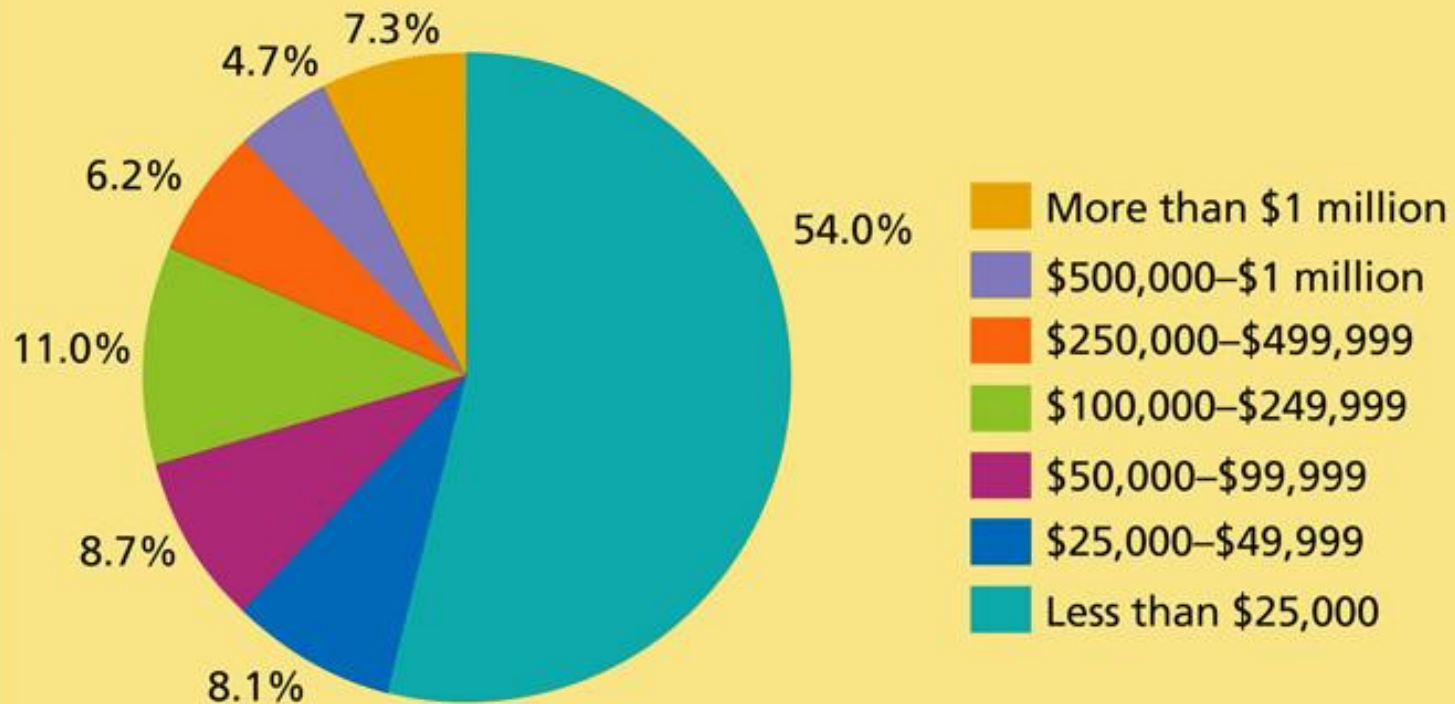


Source: Internal Revenue Service, 2003 data



PAGE 30 – TYPES OF BUSINESS ORGANIZATIONS

FIGURE 8.2 PARTNERSHIPS BY REVENUES

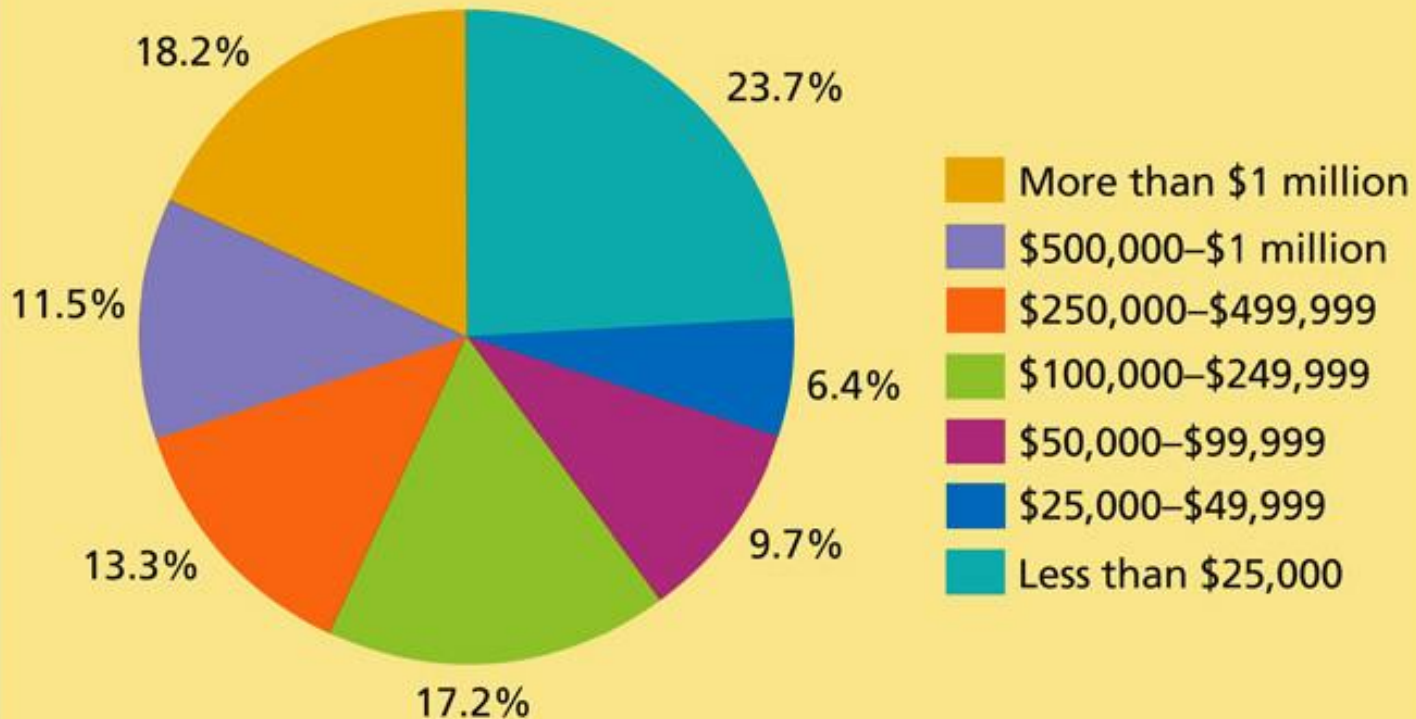


Source: Internal Revenue Service, 2003 data



PAGE 30 – TYPES OF BUSINESS ORGANIZATIONS

FIGURE 8.5 CORPORATIONS BY REVENUES



Source: Internal Revenue Service, 2003 data



PAGE 30 – TYPES OF BUSINESS ORGANIZATIONS

SOLE PROPRIETORSHIP

Advantages	Disadvantages
Easy to start up/close down	Unlimited liability
All decisions made by owner	Uneasy to obtain capital
Low start-up costs	Long working hours
All profits go to owner	Limited life
Only taxed once!	All decisions made by owner



PAGE 30 – TYPES OF BUSINESS ORGANIZATIONS

PARTNERSHIP	
Advantages	Disadvantages
Easy to start up/close down	Unlimited liability
Lower start up costs	Divided authority
Divided liability	Potential disagreements
Easier to obtain capital	Limited life
Complementary skills	Divided profits
Only taxed once!	



PAGE 30 – TYPES OF BUSINESS ORGANIZATIONS

CORPORATION	
Advantages	Disadvantages
Limited liability	More difficult to start up
Easier to raise financial capital	More regulations
Unlimited life	Owners may have less control
Transferable shares of stock	Double taxation

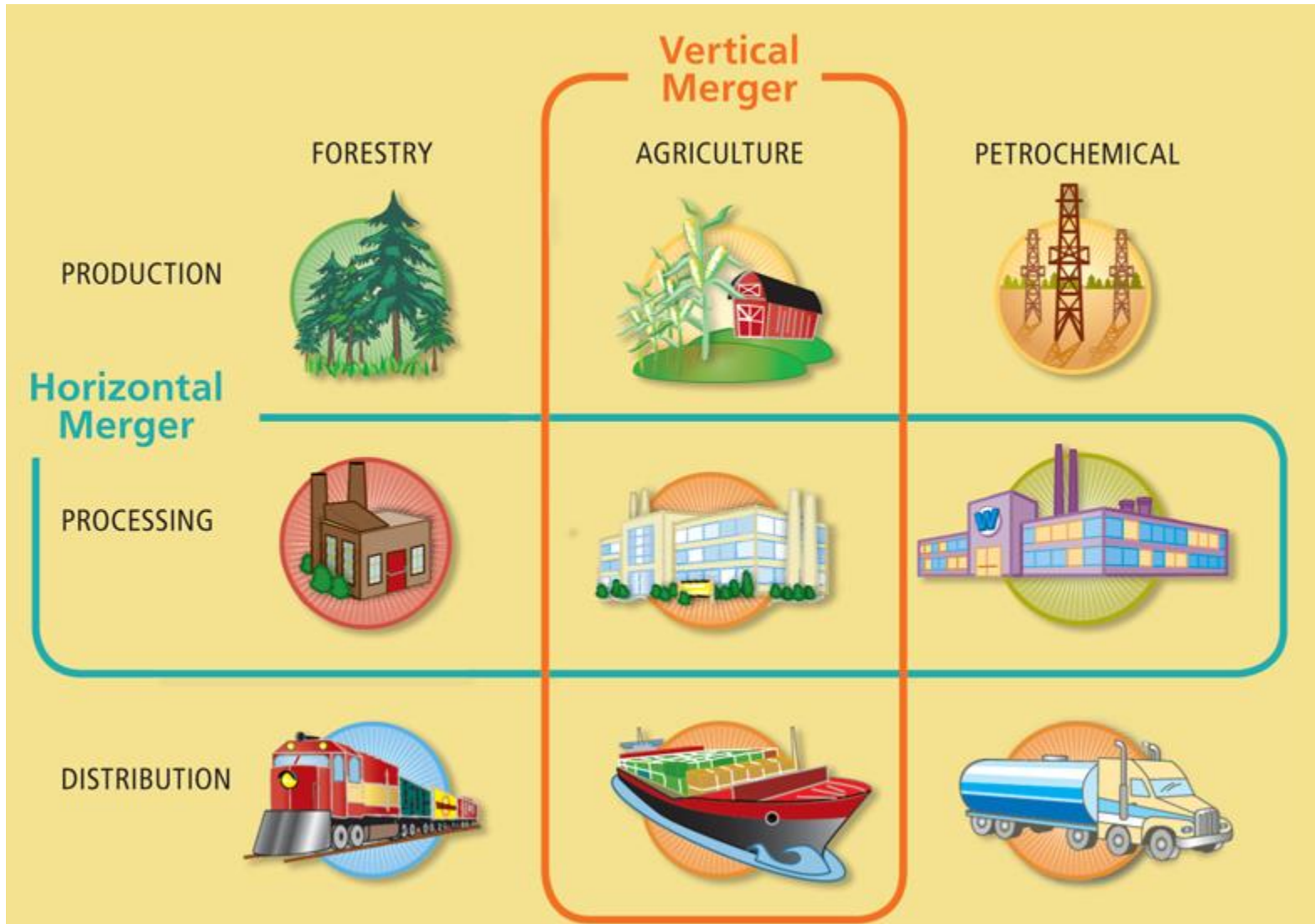


PAGE 30 – TYPES OF BUSINESS ORGANIZATIONS

FRANCHISE	
Advantages	Disadvantages
Proven idea and brand name	Restrictions from franchisor
Support from franchisor	Royalty fees
Exclusive market area	Expensive start-up
Established supplier relationships	Penalties/fines if sold or closed
Financing often easier	No individuality



PAGE 30 – TYPES OF BUSINESS ORGANIZATIONS



PAGE 31 – THE EVOLUTION OF APPLE

Directions:

1. **Read** through the case study on page 252-253.
2. **Answer** each question below each artifact (x3)
3. **Discuss** the three synthesis questions at the end and **record** your group's answers.



ICHANGED THE WORLD DOCUMENTARY

What personal characteristics and values made Steve Jobs largely successful, and at the same time, disliked by many of his peers? Could he have been successful otherwise? Explain.



PAGE 31 – THE EVOLUTION OF APPLE

Questions (pg. 252-253):

- A. According to the document, why were Jobs and Wozniak able to succeed in starting their own company?
 - B. How did Apple's marketing of Macintosh contribute to its success?
 - C. How might Apple's history have been different if it had become a partnership instead of a corporation? Explain your answer.
1. Based on information in the documents, how would you describe the evolution of Apple Inc.?
 2. How did Apple's advertising and marketing affect its success or failure? Use examples from the documents in your answer.
 3. What single overriding concern has defined the evolution of Apple and determined its success? Use information from the documents to support your answer.

