

★ Unit 3 Notes

Market Structures

★ Success

"Success is 1 percent inspiration, 98 percent perspiration, and 2 percent attention to detail."

-Phil Dunphy, *Modern Family*

★ Sole Proprietorships

- Definition - owned by 1 person
- Liability - unlimited -- owner can lose *personal* assets
- Advantages
 - Freedom to make decisions; you are your own boss
 - Keep all profits for yourself
 - Low tax on profits
- Disadvantages -
 - Unlimited liability
 - Limited access to borrowed funds
 - One person has all responsibility for running business

★ Partnerships

- Definition - Owned and operated by two or more people
- Liability - unlimited -- owner can lose *personal* assets
- Advantages -
 - Expanded skill set; more areas of expertise
 - More access to borrowed funds
 - Low tax on profits
- Disadvantages -
 - Unlimited liability
 - Shared decision making
 - Partnership ends if partner dies or leaves

★ Types of Partnerships

- Limited Partnership -
 - General Partner -runs the business
 - Limited Partner -puts up the money; stays out of the way
- Limited Liability Company (LLC)
 - Taxed like a partnership
 - Assets of members are protected
- Joint Venture -
 - Temporary partnership created to accomplish a specific task

★ Corporations

- Definition - owned by stockholders; treated by law as if it were a person
 - corporations can own property, pay taxes, be sued, etc.
- Liability -limited -- owners can only lose what they put in
- Articles of Incorporation -application to be a corporation
- Corporate Charter - license to operate as a corp. in a state
- Issue stock to investors

★ Franchises

- Entrepreneur gets -
 - company name and reputation
 - business advice
 - advertising
- Corporation gets -
 - franchise fee
 - share of profits

★ How Businesses Grow

Investment of Capital (Money)

- Retained Earnings - Reinvesting profits back into the company to fund expansion
- Equity - Selling ownership shares (stock) of the company for money that will be used to fund expansion
- Debt - Borrowing money that will be used to fund expansion

★ How Businesses Grow

Merger / Acquisition

Horizontal - A merger of competitors

Ex. -

Vertical - A merger of companies in different stages of the same production process

Ex. -

Conglomerate - A merger of two or more unrelated companies

Ex. -

★ Competition

- Businesses in mixed economies are motivated by profit and will compete with other businesses to increase their profit.
- Consumers benefit when businesses compete.
 - Lower prices
 - Higher quality
 - More variety

★ Price Competition

Price competition - when businesses try to increase sales and profits by cutting prices



REG. \$12.99
NOW ONLY
\$5.99

★ Non-Price Competition

Non-price competition - when businesses try to increase sales and profits by making their product appear to be different than a competitor's product

Examples:

- Location - choosing a better location
- Packaging - make the product stand out among others
- Branding - develop brand loyalty
- Service - fastest delivery, no hassle return policy
- Product variation - actually making the product different than the competition

★ Market Structures

- Market structure definition - the amount of **competition** in a market
- Four types of market structures
 - Monopoly
 - Oligopoly
 - Monopolistic Competition
 - Perfect Competition

★ Types of Market Structures

Category	Monopoly	Oligopoly	Monopolistic Competition	Perfect Competition
Number of Sellers				
Barriers to Market Entry				
Level of Price Control				
Example				

★ Legal Monopolies

- Natural Monopoly - Created by govt., run by private company
- Geographic Monopoly -exists in small markets with insufficient demand to support a competitor
- Technological Monopoly - Comes about due to an invention
 - patent, copyright
- Government Monopoly -Created by govt., run by govt.

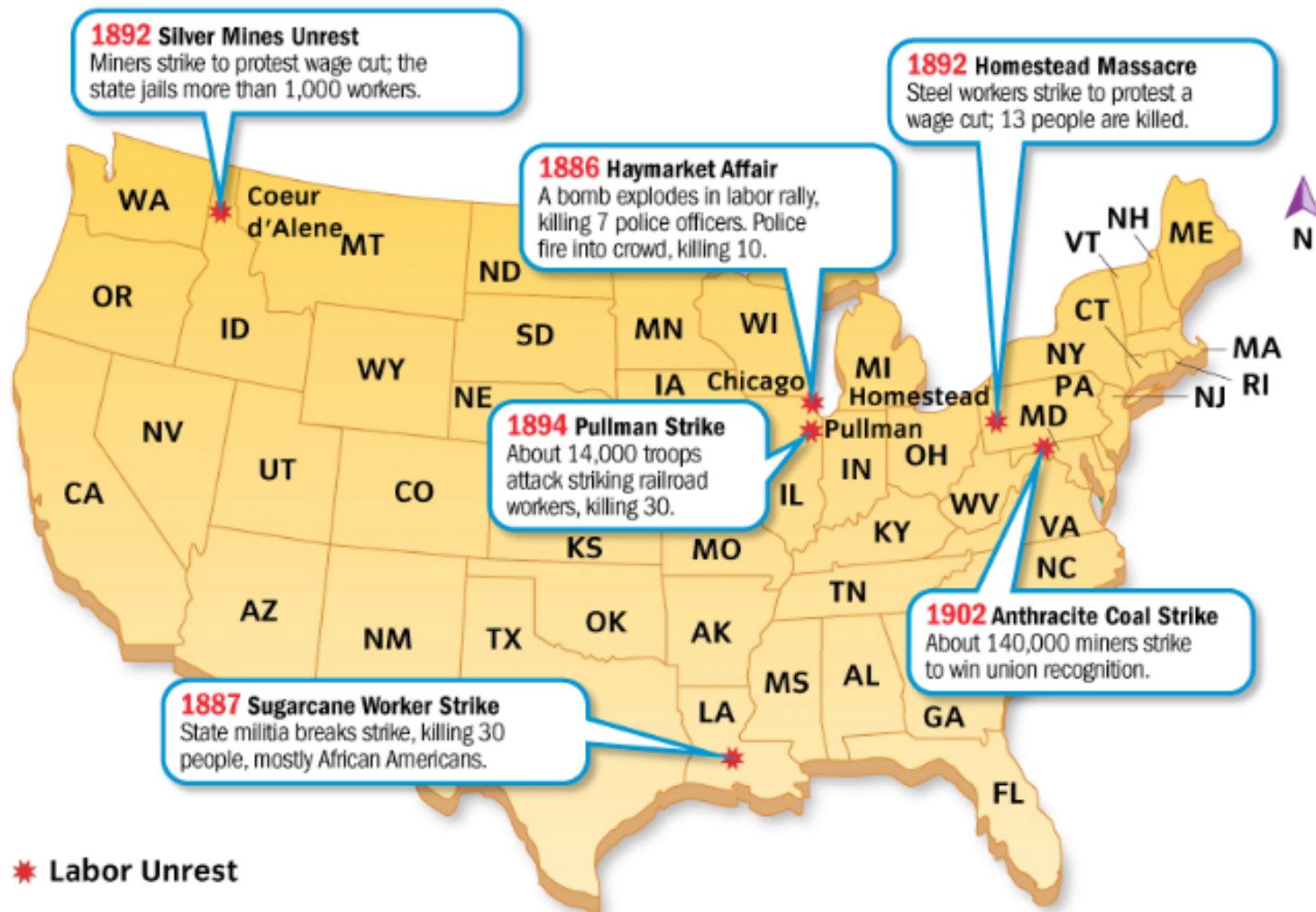
★ The Labor Market

Human Capital - the collective skills, knowledge, or education of individuals that can be used to create economic value

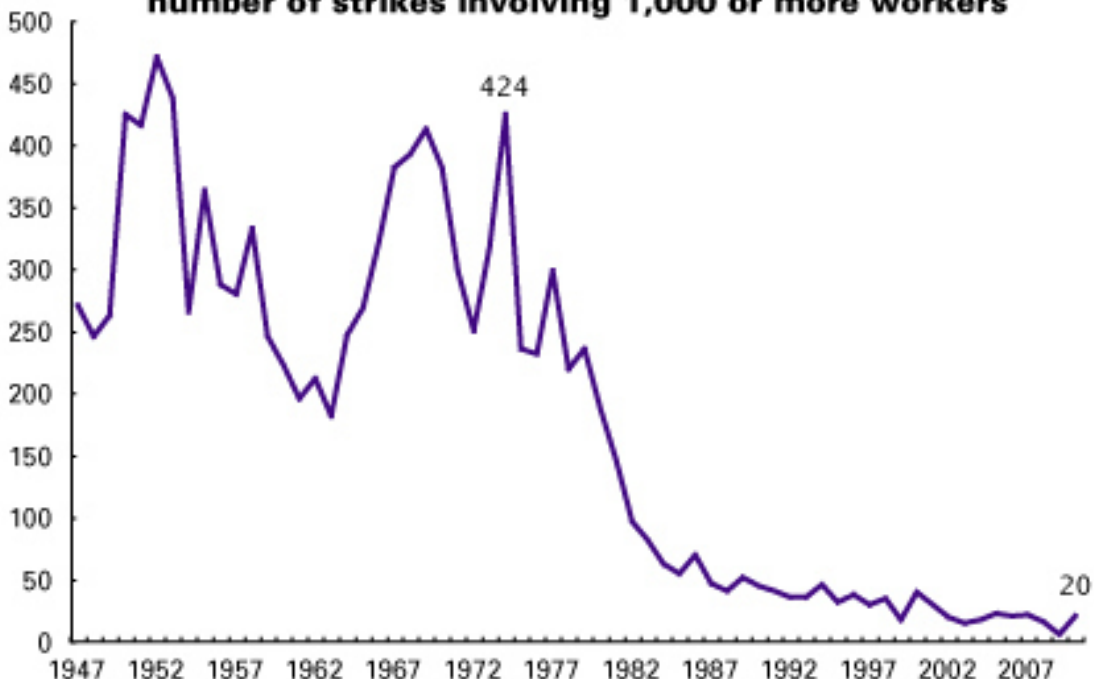
- The more you can add to your human capital, the more value you can create
- The more value you can create, the more valuable you become in the workforce
- The more valuable you become, the more you can expect to earn

Figure 12.5

Labor's Early Struggle for Recognition



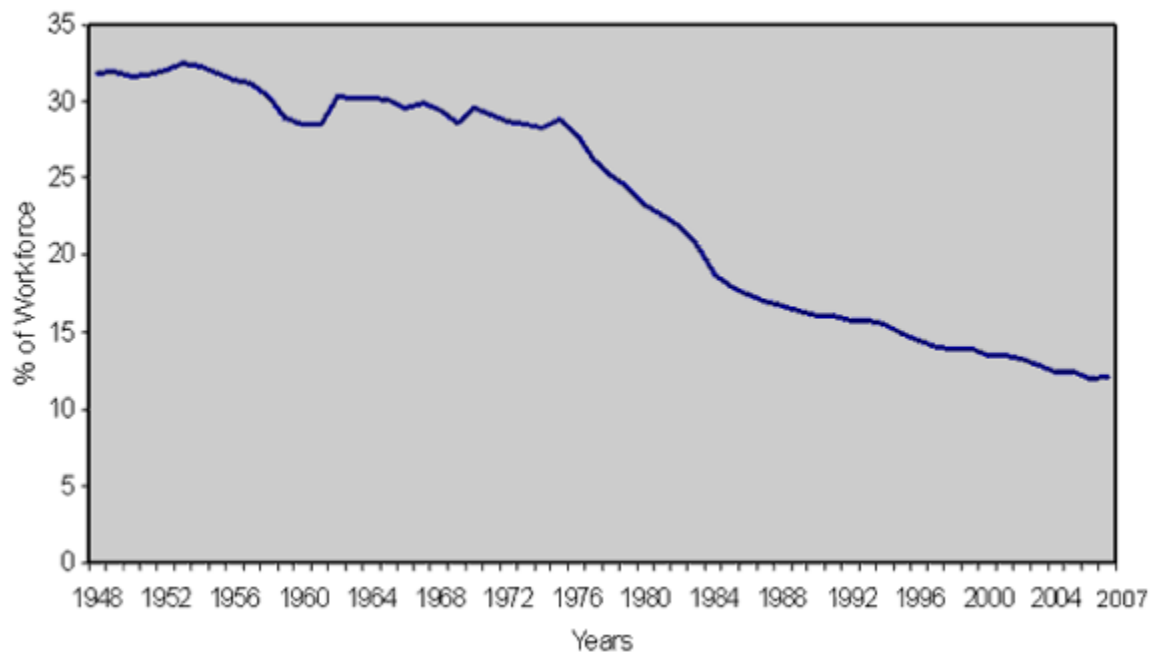
number of strikes involving 1,000 or more workers



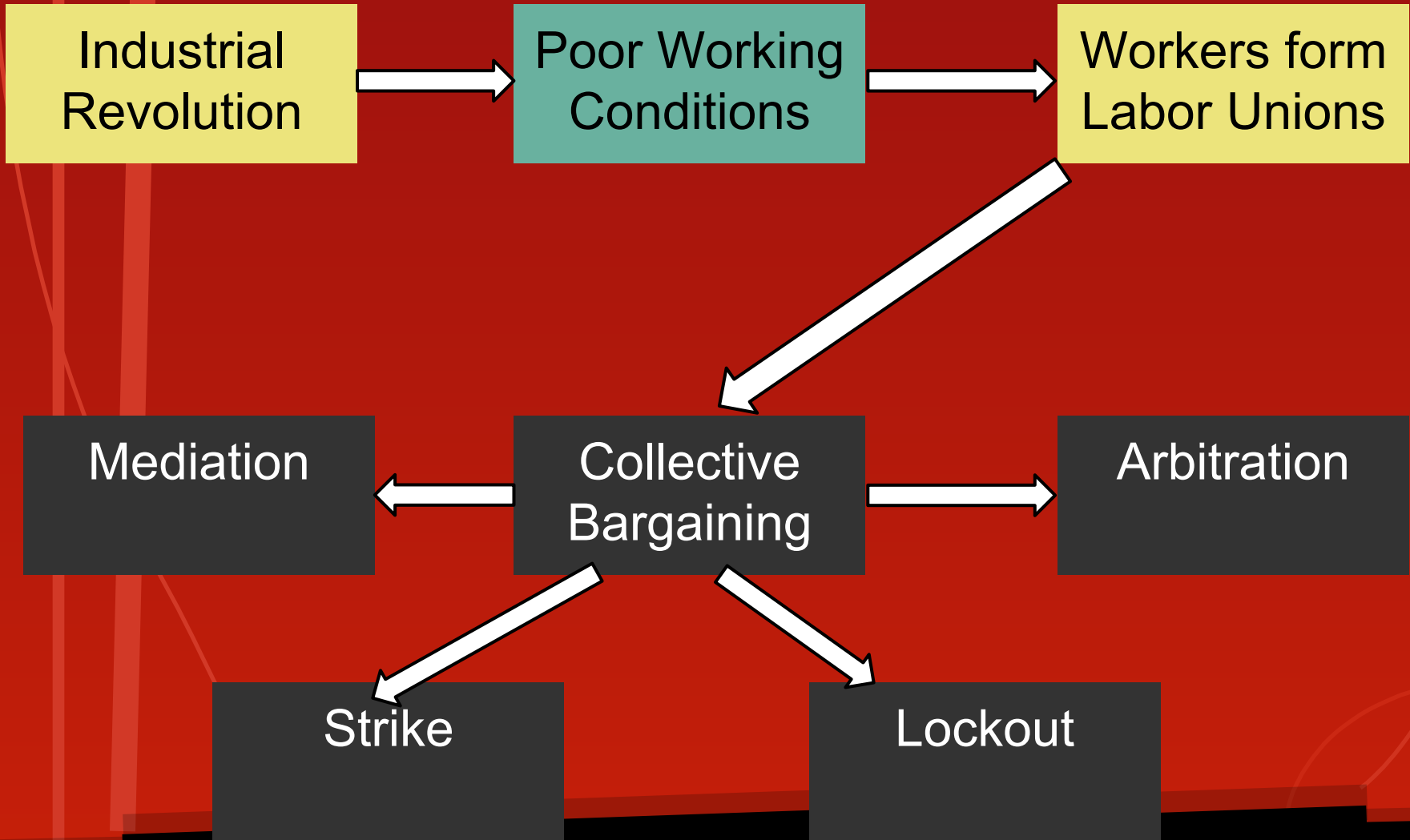
Number of strikes has been declining for years.

Percent of workforce in unions has been declining for years.

% of Workforce in Unions 1948-2007



★ Collective Bargaining



★ Collective Bargaining

Collective Bargaining - The process by which labor and management negotiate the working conditions for labor.



★ Collective Bargaining



Elements of collective bargaining:

- Mediation - Two sides seek help from an impartial, powerless third party
- Arbitration - Two sides present their sides to a judge, whose decision is binding to both sides
- Strike - Labor refuse to work unless demands are met
- Lockout - Management refuses to let labor come to work until management's demands are met
- Boycott - Labor and sympathetic public refuse to buy management's products
- Injunction - When POTUS orders striking workers to return to work.

★ Monday, September 23

On page 328, answer questions 13, 16, 17, 18, 19, 20, 22, and 23 in complete sentences.

Work on Unit 3-Part B Learning Guide if/when you finish the textbook questions. It is due tomorrow.

★ The Labor Market

Earnings of Workers

Competitive businesses want to motivate their labor force to be productive

- Productivity
- Value of goods/services produced
- Collective Bargaining
- Discrimination

★ The Labor Market

Productivity of Workers

Competitive businesses want their labor force to be productive

- Training
- Equipment/Technology