



# Unit 7

Decisions, Decisions



# Types of Markets

- Competitive Market – Many Producers who provide a product to consumers
  - Competition's three benefits
- Monopoly – One producer to make a product
  - Consumers have no choice
  - High prices
  - Anti-Trust Laws: Break up or prevent monopolies
- Natural Monopoly – allowed in certain situations, highly regulated by Government
  - Ex:

# Types of Markets cont.

- ▶ Oligopoly: a few firms that make a product
  - ▶ Can plan pricing and availability of product together
  - ▶ Ex:



# Market Structure

- The organization of a market based on the degree of competition



1

▪ # of Producers

More Producers

=

More  
Competition

2

▪ Similarity of  
Products

More Similar

=

More Competition

3

▪ Ease of Entry into  
Market

Easier Entry

=

More Competition

4

▪ Control over Prices

▪ More competition=

Less Power of  
Producer to control  
prices

<ul style="list-style-type: none"> <li>▪ <b>Perfect Competition</b></li> <li>▪ Many producers</li> <li>▪ Identical Products</li> <li>▪ Easy Entry</li> <li>▪ No control over prices</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Monopolistic Competition</b></li> <li>▪ Many Producers</li> <li>▪ Differentiated Products</li> <li>▪ Pretty Easy to Enter</li> <li>▪ SOME control over prices</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Oligopoly</b></li> <li>Few producers</li> <li>Similar Products</li> <li>Harder to Enter</li> <li>Some control over Prices</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Monopoly</b></li> <li>▪ One producer</li> <li>▪ Unique product</li> <li>▪ HARD to enter</li> <li>▪ Firm has control over prices</li> </ul>
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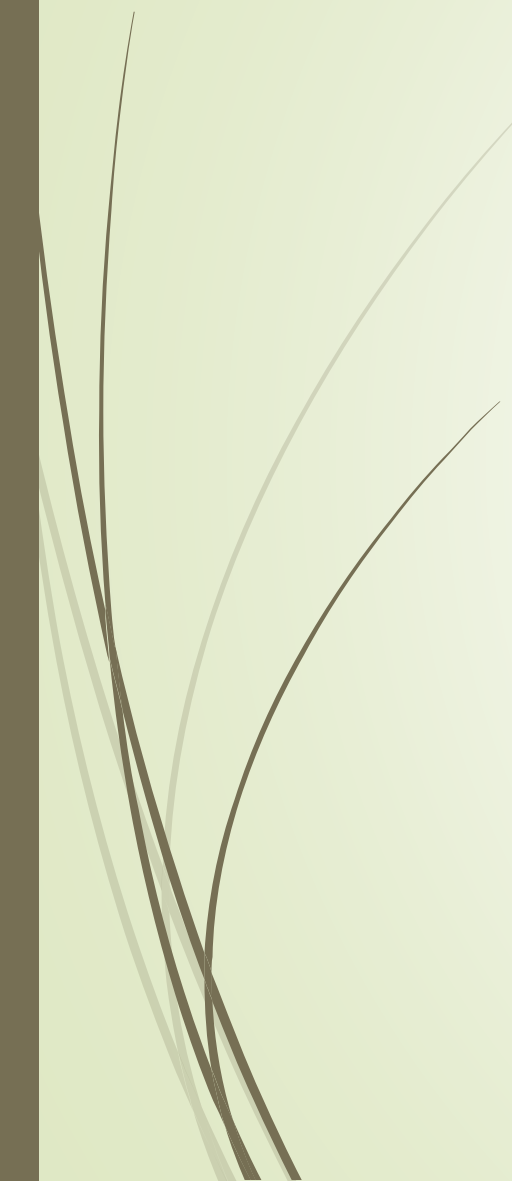
# Measures of Productivity

- Productivity: making more with less; use fewer inputs to make more outputs
- Inputs v outputs: resources v final product
- Service Sector/economies: Part of the economy that outlines the service jobs
- Commodities: Raw Materials





# Specialization and Division of Labor

- Productivity: the reason for specialization and division of labor
  - Specialization: Doing the job you do best
  - Division of Labor: Breaking up a large job into smaller jobs
  - Investment in Capital: Creates stability and growth
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# Specialization and Division of Labor

- Automation: Robots doing work instead of humans
  - Mechanization: People using machines to produce more with less effort
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