ECONOMICS FOR BUSINESS

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MM UNIKOM, March 7, 2009

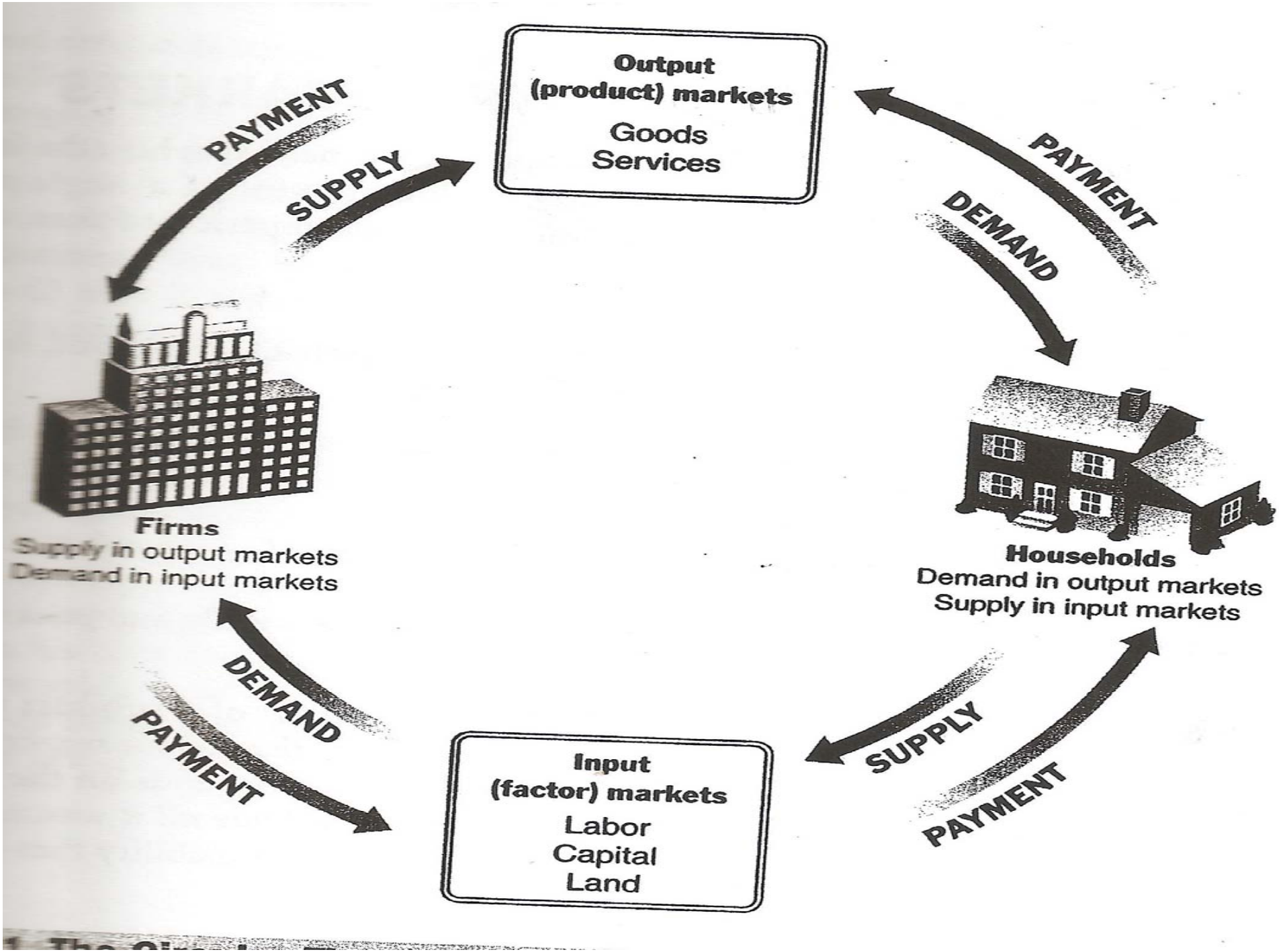
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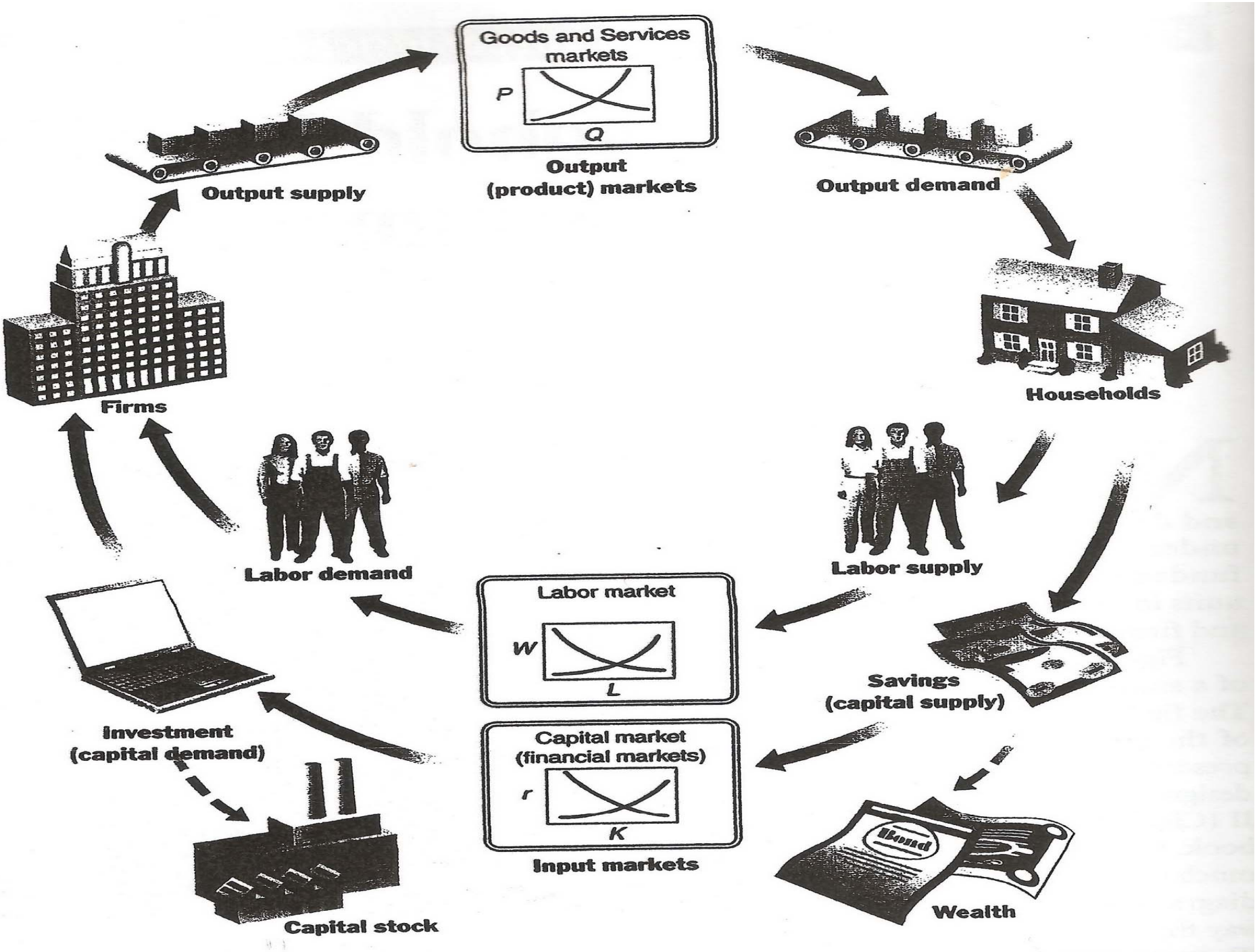
- **28/2/09 (10 00 -12 00) :**
  SUPPLY, DEMAND, PRICE SYSTEM :
  THE LAW OF DEMAND
  THE LAW OF SUPPLY
  PRICE & ALOCATION RESOURCE

- **7/3/09 (10 00 – 12 00) :**
  MARKET STRUCTURE :
  PERFECT COMPETITION
  MONOPOLY
  MONOPOLISTIC COMPETITION & OLIGOPOLY

- **Reference Book : Principles of Economics. Case and Fair (C&F), Sixth Edition, Prentice Hall, 2002.**

MARKET STRUCTURE


Output
(product) markets
Goods
Services
PAYMENT
SUPPLY
PAYMENT
DEMAND
Firms
Supply in output markets
Demand in input markets
Households
Demand in output markets
Supply in input markets
DEMAND
PAYMENT
SUPPLY
PAYMENT
Input
(factor) markets
Labor
Capital
Land


Goods and Services markets
P
Q
Output (product) markets
Output supply
Output demand
Households
Firms
Labor demand
Labor supply
Labor market
W
L
Savings (capital supply)
Investment (capital demand)
Capital market (financial markets)
r
K
Input markets
Wealth
Capital stock

PERUSAHAAN/PEDAGANG











CONSUMER MARKET





CONSUMER MARKET







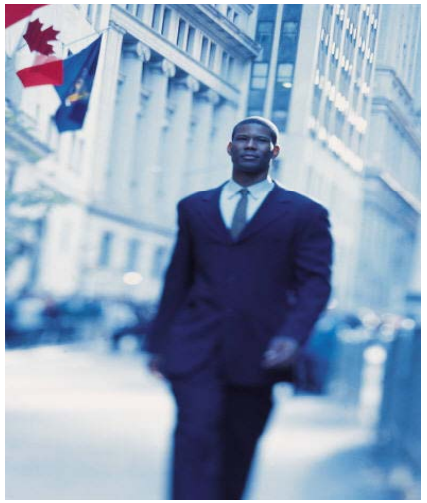




BUSINESS / CORPORATE MARKET











- **PERFECT COMPETITION**
- **IMPERFECT COMPETITION**
- MONOPOLY
- MONOPOLISTIC COMPETITION
- OLIGOPOLY

PERFECT COMPETITION

- Perfect competition, an industry structure in which there are many firms, each small relative to the industry and producing virtually identical products, and in which no firm is large enough to have any control over prices.

- In a perfectly competitive industry, no single firm has any control over prices.

- That is no single firm is large enough to affect the market price of its product.

TAHU





TEMPE





PERSAINGAN SEMPURNA

- Jumlah Perusahaan : Banyak
- Jenis Barang : Homogen
- Keluar masuk industri : Sangat mudah / tidak ada hambatan
- Contoh : Tahu, Tempe
- Persaingan Non Harga: Tidak ada

IMPERFECT COMPETITION

- Monopoly
- Monopolistic
- Oligopoly

IMPERFECT COMPETITION AND MARKET POWER : CORE CONCEPT

- Imperfectly competitive industry, an industry which single firms have some control over the price of their output

- Market power, an imperfectly competitive firm's ability to raise price without losing all of the quantity demanded for its product

MONOPOLY

- Pure Monopoly, an industry with a single firm that produces a product for which there are no close substitus and in which significant barriers to entry prevent other firms from entering the industry to compete for profits.

- Natural Monopoly, an industry that realizes such large economies of scale in producing its product that single-firm production of that good or service is most efficient

- Government Franchise, a monopoly by vitue of government directive. Public utility commision in each state watch over electric companies and locally operating telephone companies.

- One of government's responsibilities is to regulate the prices charged by these utilities to ensure that they do not abuse their monopoly power.

PT KAI





MONOPOLY








TELKOM
INDONESIA

MONOPOLI

- Jumlah Perusahaan : Satu
- Jenis Barang penggantinya : Unik, tidak ada
- Keluar masuk industri : Sangat sulit
- Contoh : KA, PLN, Telepon
- Persaingan Non Harga: Tidak ada

- Barrier to entry, something that prevents new firms from entering and competing in imperfectly competitive industry.

- Firms that already have market power can maintain that power either by preventing other firms from producing an exact duplicate of their product or by preventing firms from entering the industry.

- Patent, a barrier to entry that grants exclusive use of the patented product or process to the inventor. New products and new processes are developed through research undertaken by individual inventors and by firms.

- Collusion, the act of working with other producers in an effort to limit competition and increase join profits.

- The individual firm owners simply decide to work together in an effort to limit competition and increase join profits.

SONNY ERICSON





- Rent-seeking behavior, actions taken by households or firms to preserve positive profits.

- Government failure, occurs when the government becomes the tool of the rent seeker and the allocation of resources is made even less efficient by the intervention of government.

- Public choice theory, an economic theory that the public officials who set economic policies and regulate the players act in their own self-interest, just as firms do.

- Price discrimination, charging different prices to different buyers.

- Perfect price discrimination, occurs when a firm changes the maximum amount that buyers are willing to pay for each unit.

- Trust, an arrangement in which shareholders of independent firms agree to give up their stock in exchange for trust certificates that entitle them to a share of the trust's common profits. A group of trustees than operates the trust as monopoly, controlling output and setting price.

- Antitrust Policy

MONOPOLISTIC

- Monopolistic Competition, a common form of industry (market) structure in the United States, characterized by a large number of firms, none of which can influence market price by virtue of size alone. Some degree of market power is achieved by firms producing differentiated products.

- It has the following characteristics : a large number of firms, no barriers to entry, product differentiation

- Product Differentiation, a strategy that firms use to achieve market power. Accomplished by producing products that have distinct positive identities in consumers' mind.

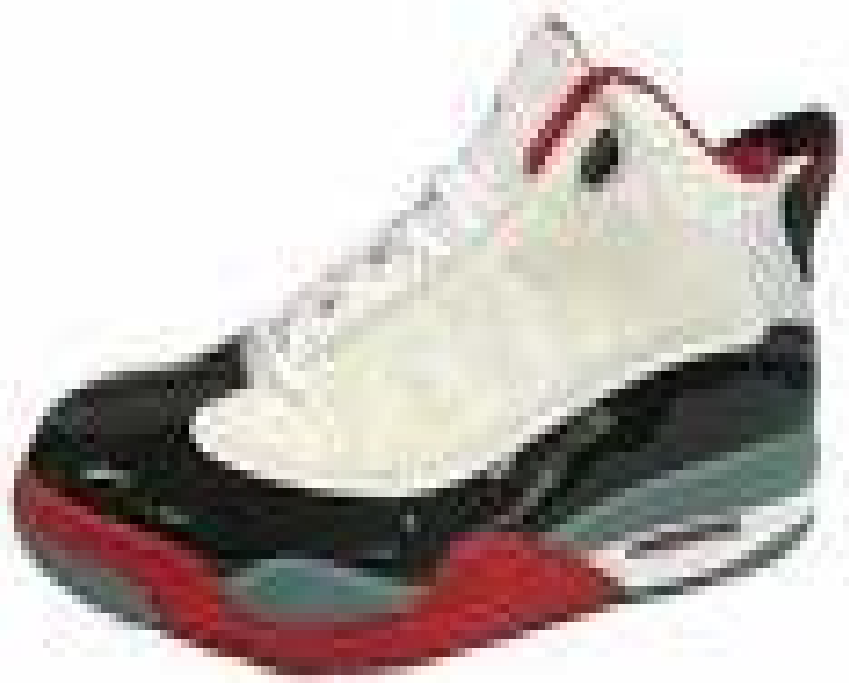
BAJU





SEPATU





BLACK BERRY





TELEVISION





PERSAINGAN MONOPOLISTIK

- Jumlah Perusahaan : Banyak
- Jenis Barang : Diferensiasi
- Keluar masuk industri : Relatif mudah
- Contoh : Pakaian, sepatu
- Persaingan Non Harga: Cukup Besar

OLIGOPOLY

- Oligopoly, a form of industry (market) structure characteristzedby a few dominant firms. Products may be homogenous or differentiated.

- The behavior of any one firm in an oligopoly depends to a great extent on the behavior of others.

MOBIL





ROKOK





BAJA





KERTAS





OLIGOPOLI

- Jumlah Perusahaan : Sedikit/Beberapa
- Jenis Barang : Diferensiasi & Homogen
- Keluar masuk industri : Hambatan cukup besar
- Contoh : Mobil, Rokok & Baja, Kertas
- Persaingan Non Harga : Sangat besar & Tidak ada

- Cartel, a group of firms that gets together and makes join price and output decisions to maximize join profits.

- Price leadership, a form of oligopoly in which one dominant firm sets prices and all the smaller firms in the industry follow its pricing policy.

DOMINANT FIRM CELLULAR













SMALLER FIRMS CELLULAR

AXIS







- Game Theory, analyzes oligopolistic behavior as a complex series of strategic moves and reactive countermoves among rival firms. In games theory, firms are assumed to anticipate rival reactions.

- Dominant strategy, in game thory, a strategy that is best no matter what the opposition does.

- Prisoners' dilemma, a game in which the players are prevented from cooperating and in which each has a dominant strategy that leaves them both worse off than if they could cooperate.

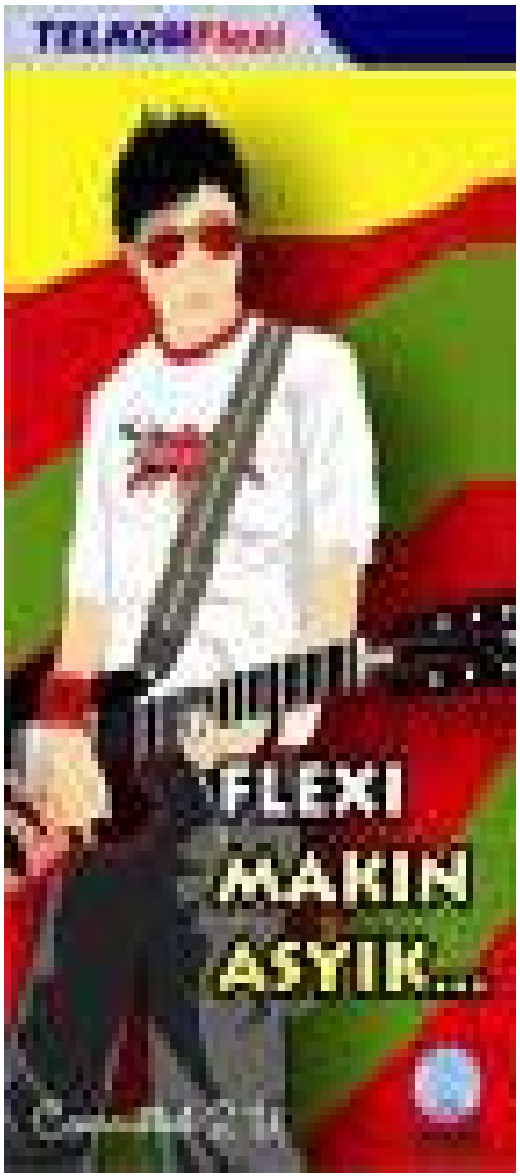
- Nash Equilibrium, in game theory, the result of all players' playing their best strategy given what their competitors are doing.(strategi terbaik bagi dirinya)

- Maximin strategy, in game theory, a strategy chosen to maximize the minimum gain that can be earned.

- Tit-for-tat strategy, a company's strategy that lets a competitor know the company will follow the competitor's lead.

- Perfectly contestable market, a market in which entry and exit are costless.

TIT-FOR-TAT STRATEGY







EXTERNALITIES, PUBLIC GOODS, IMPERFECT INFORMATION AND SOCIAL CULTURE

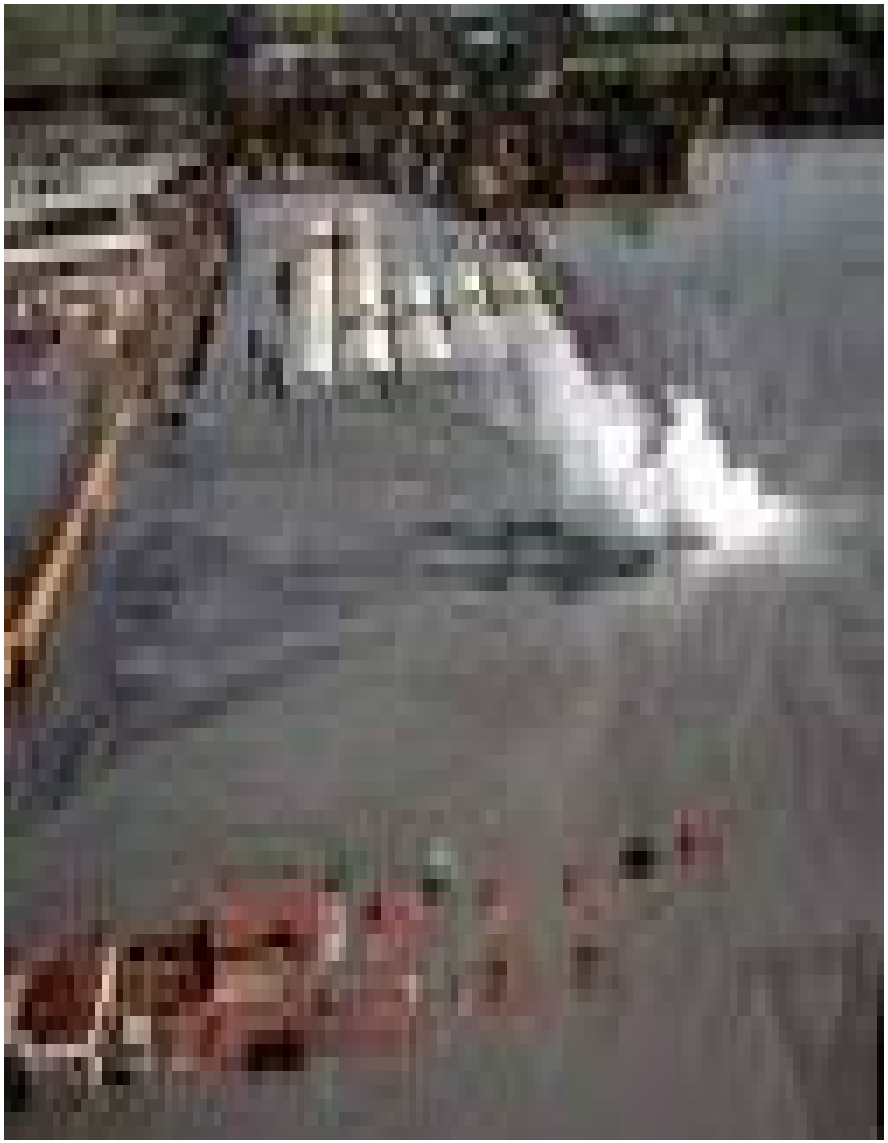
- The study of externalities is a major concern of environmental economics.
- Externalities, a cost or benefit resulting from some activity or transaction that is imposed on parties outside the activity or transaction.
- Sometime called spillovers or neighborhood effect.
- Inefficient decision result when decision makers fail to consider social cost and benefit.

- The presence of externalities is a significant phenomenon in modern life. Example : air, water,land,sight,and sound pollution,traffic congestion,automobile accidents, abandoned housing, nuclear accidents, etc.(inefficient allocation of resources)

- When East and West Germany were reunited and borders of Europe were opened, there were the disastrous condition of the environment in virtually all Eastern Europe.

- Social Cost ?

LAPINDO - POLLUTION





TRAFFIC CONGESTION





- Public Goods (social or collective goods), goods that are nonrival in consumption and/or their benefits are nonexcludable.

- Imperfect information, the absence of full information can cause households and firms to make mistakes. In the presence of imperfect information, not allexchanges are efficient.

- Social Choice, the problem of deciding what society wants. The process of adding up individual preferences to make a choice for society as a whole (politicians and public servants).

JEMBATAN





SOLAR



GAS ELPIJI



MINYAK TANAH



SUMMARY :
LINGKUP ILMU EKONOMI

- MIKRO : Efficiency di tingkat Individu, Perusahaan dan Industri / Perusahaan.

- Interaksi di Pasar Barang, Tingkah Laku Pembeli dan Penjual, Interaksi di Pasar Faktor Produksi

- MAKRO : Out Put (GNP), Growth, Employment, Price Stability, Exchange Rate.

- Penentuan Tingkat Kegiatan Perekonomian Negara, Pengeluaran Agregat, Mengatasi Pengangguran dan Inflasi

THE END - TERIMAKASIH

