

# Business Economics-Industrial Organization a Study on Uttar Kannada Karnataka State

Vidya D Nayak

Associate Prof. Department of economics  
GFGC, Ankola

## Abstract

*Business economics is a field in applied economics which uses economic theory and quantitative methods to analyze business enterprises and the factors contributing to the diversity of organizational structures and the relationships of firms with labour, capital and product markets. A professional focus of the journal Business Economics has been expressed as providing "practical information for people who apply economics in their jobs. An overview of industrial organization, such as measures of competition and the size-concentration of firms in an industry. A second approach uses microeconomic models to explain internal firm organization and market strategy, which includes internal research and development along with issues of internal reorganization and renewal. A third aspect is oriented to public policy as to regulation. Antitrust, and, more generally, the economic governance of law in defining property rights, enforcing contracts, and providing organizational infrastructure. The top managers' perceptions of the market structure and the firm's strengths and weaknesses jointly determine their choice of corporate strategy (its long-run plan for profit maximization) and organizational structure (the internal allocation of tasks, decision rules, and procedures for appraisal and reward, selected for the best pursuit of that strategy). Both corporate strategy and organizational structure influence the economic performance of the firm and the market in which it sells. Market Structure, Firm Strategy, and Market Performance, Firm Objectives, Organization, and Behavior, Non-profit organizations and Public enterprise, Antitrust Issues and Policies, Regulation and policy. Industry Studies: Manufacturing, Primary Products and Construction, Services, Transportation and Utilities. The common market structures studied in this article: competition, Monopolistic, Duopoly, Oligopoly, Oligopsony, Monopoly, Monopsony. Industrial organization investigates the outcomes of these market structures in environments with: Price, Product, goods, Experience, Secondary, which can affect the behaviour of firms in primary markets. Signaling, such as warranties and advertising, Mergers.*

**Key words:** Business economics, Industrial organization and Market structure

## I. INTRODUCTION

Business economics is concerned with economic issues and problems related to business organization, management, and strategy. Issues and problems include: an explanation of why corporate firms emerge and exist; why they expand: horizontally, vertically and specially; the role of entrepreneurs and entrepreneurship; the significance of organizational structure; the relationship of firms with the employees, the providers of capital, the customers, the government; the interactions between firms and the business environment.

Industrial organization focuses on understanding and evaluating the behavior of businesses, the markets that they participate in, and the interaction between the two. The goal is to increase the internal efficiency of the business so it is poised to compete more effectively in the marketplace. This is managed by not only refining the structure and operating processes of the business, but also adapting them so they can more effectively address what is happening within the wider market.

The two decades from the early 1970's until the late 1980's has been the most flourishing period of theoretical development in industrial organization. The main methodological difference with respect to the SCP paradigm is that game theoretical models are rather specific and their predictions about equilibrium behavior often not robust to minor changes in the set of underlying assumptions. During 1980-90 game theory took center stage with emphasis on strategic decision-making and Nash equilibrium concept. After 1990, empirical industrial organization with the use of economic theory and econometrics led to complex empirical modeling of technological changes, merger analysis, entry-exit and identification of market power.

The Market structure consists of the relatively stable features of the market environment that influence rivalry among the buyers and sellers operating within this market. The main elements that influence market

structure are, seller concentration, product differentiation, barriers to entry, barriers to exit, buyer concentration, and the growth rate of market demand. Other elements of market structure exist, but they are usually unstable and therefore ignored either because they can't be measured or because they are hard to observe.

Uttara Kannada with a total population of 1,437,169 holds the 20th position in terms of total population in the State. The district holds the 19th rank in terms of rural population and 16th in terms of urban population. Uttara Kannada district accounts for 2.4 percent of the total population of the State. The decadal growth rate of 6.2 percent, it ranks 22nd in the State in terms of decadal growth rate. The district with a Sex ratio of 979 holds 18th rank in the State. The district with a Sex ratio of 955 among the child population in the age-group 0-6 holds the rank of 12th in the State. The proportion of child population, (0-6 age-group) is 10.5 percent in the district and ranks 19th in the State. The district has a literacy rate of 84.1 percent and is placed at 4th rank in the State. The male literacy rate in the district is 89.6 percent and the female literacy rate is 78.4 percent. The male – female literacy gap in the district is 11.2 percentage points, which is less than the male – female literacy gap registered by the State (14.39 percentage points). The Scheduled Caste population contributes 8.1 percent to the total population of the district and the Scheduled Tribe population contributes 2.4 percent.

The district has registered a work participation of 42.3 percent and stands at 28th rank in the State. The work participation rates for Male and Female population are 59.3 and 25.0 respectively in the district. Among the total workers in the district 81.9 percent are Main workers and 18.1 percent are Marginal workers. Major work force of 61.0 percent is engaged in other workers category and the district holds 5th rank in the State. Agricultural sector constitute 37.4 percent of the total workers i.e., Cultivators (18.3 percent) and Agricultural Labourers (19.1 percent) and 1.6 percent of the total workers are engaged in Household Industry. About 57.7 percent of the total population in the district is Nonworkers. Uttara Kannada district with area figure of 10277 Sq.Km stands at 5th Position in the State in terms of area. The population density for this district is 140 and it is the third least dense district in the State. There are 1289 villages, 11 Statutory Towns and 7 Census Towns in the district.

## **II. MEANING**

The term 'business economics' is used in a variety of ways. Sometimes it is used as synonymously with industrial, managerial economics, and economics

for business. Still, there may be substantial differences in the economics/industrial organization usage of 'economics for business' and 'managerial economics' with the latter used more narrowly. One view of the distinctions between these would be that business economics is wider in its scope than industrial economics in that it would be concerned not only with "industry" but also businesses in the service sector. Economics for business looks at the major principles of economics but focuses on applying these economic principles to the real world of business. Managerial economics is the application of economic methods in the managerial decision-making process.

In Economics, Industrial organization or Industrial economy is a field that builds on the theory of the firm by examining the structure of (and, therefore, the boundaries between) firms and markets. Industrial organization adds real-world complications to the perfectly competitive model, complications such as transaction costs, limited information, and barriers to entry of new firms that may be associated with imperfect competition. It analyzes determinants of firm and market organization and behavior as between competition and monopoly, including from government actions.

Industrial Organization :

1. Study of how firms behave in markets
2. Whole range of business issues
  - price of flowers; payment to be official sponsor of major events
  - which new products to introduce
  - merger decisions
  - methods for attacking or defending markets
3. Industrial Organization takes a Strategic view of how firms interact

## **III. DEFINITION**

Many universities offer courses in business economics and offer a range of interpretations as to the meaning of the word. The Bachelor of Business Economics (BBE) Program at University of Delhi is designed to meet the growing need for an analytical and quantitative approach to problem solving in the changing corporate world by the application of the latest techniques evolved in the fields of economics and business.

The program at Harvard University uses economic methods to analyze practical aspects of business, including business administration, management, and related fields of business economics:

Courses at the University of Manchester interpret business economics to be concerned with the economic analysis of how

businesses contribute to welfare of society rather than on the welfare of an individual or a business. This is done via an examination of the relationship between ownership, control and firm objectives; theories of the growth of the firm; the behavioral theory of the firm; theories of entrepreneurship; the factors that influence the structure, conduct and performance of business at the industry level.

“Industrial organization is concerned with the workings of markets and industries, in particular the way firms compete with each other.” Luis Cabral (2000)

“Industrial organization or industrialeconomics is the study of the operation and performance of imperfectly competitive markets and the behavior of firms in these markets.” Church & Ware (2000)

Early ideas for Industrial Organization are developed by Schumpeter (1958). “Cournot (1838) was the first in proposing a solution concept to determine market prices under oligopolistic interaction. By means of an example of two producers of mineral water deciding production levels and competing independently, Cournot proposes that the price arising in the market will be determined by the interplay of aggregate supply and demand. Also, such a price will be an equilibrium price whenever a producer’s production decision maximizes its profits conditional on the expectation over the production of the rival. It is worth noting that this equilibrium involves a price above the marginal cost of production. This concept of equilibrium is precisely what Nash (1950) proposed as solution of a non-cooperative game when we consider quantities as strategic variables.”

Next, Cournot tackled the case of complementary products. Interestingly enough he assumed in this case that producers would choose prices and applied the same solution concept, namely a Nash equilibrium with prices as strategic variables. In this case, the equilibrium price is larger than the monopoly price.

Cournot’s contribution was either ignored or unknown for 45 years until Bertrand (1883) published his critical review where he claims the obvious choice for oligopolists competing in a homogeneous product market such as the proposed by Cournot would be to collude, given that the relevant strategic variables must be prices rather than quantities. In particular, in Cournot’s example, the equilibrium price will equal marginal cost, i.e. the competitive solution.

The criticism of the Cournot model continued with Marshall (1920) and Edgeworth (1897). Marshall thought that under increasing returns, monopoly was the only solution; Edgeworth’s main idea was that in Cournot’s set up the equilibrium is indeterminate regardless of products being substitutes or complements. For substitute goods with capacity constraints (Edgeworth (1897)) or with quadratic cost (Edgeworth (1922)) he concludes that prices would oscillate cycling indefinitely. For complementary products the indetermination of the equilibrium is “at least very probable” (Vives (1999)).

From that point Cournot’s model served as a departure point to other analysis. Hotelling (1929), Chamberlin (1933), and Robinson (1933) introduced product differentiation. Hotelling’s segment model introduces different preferences in consumers and provides the foundation for location theory by assuming consumers buying at most one unit of one commodity; Chamberlin and Robinson considered a large number of competitors producing slightly different versions of the same commodity (thus allowing them to retain some monopoly power on the market) and assumed that consumers had convex preferences over the set of varieties. Stackelberg (1934) considered a sequential timing in the firms’ decisions, thus incorporating the idea of commitment.

Some years later, von Neumann and Morgenstern (1944) and Nash (1950, 1951) pioneered the development of game theory, a toolbox that provided the most flourishing period of analysis in oligopoly theory along the 1970’s. Refinements of the Nash equilibrium solution like Selten’s subgame perfect equilibrium (1965) and perfect equilibrium (1975), Harsanyi’s Bayesian Nash equilibrium (1967-68), or Kreps and Wilson’s sequential equilibrium (1982) have proved essential to the modern analysis of the indeterminacy of prices under oligopoly.

Also, the study of mechanisms allowing to sustain (non-cooperative) collusion was possible with the development of the theory of repeated games led by Friedman (1971), Aumann and Shapley (1976), Rubinstein (1979), and Green and Porter (1984).

According to the structure-conduct-performance approach, an industry’s performance (the success of an industry in producing benefits for the consumer) depends on the conduct of its firms, which then depends on the structure (factors that determine the competitiveness of the market). The structure of the industry then depends on basic conditions, such as technology and demand for a product. For example: in an industry with technology that the average cost of

production falls as output increases, the industry tends to have one firm, or possibly a small number of firms.

#### IV. INDUSTRIAL ORGANIZATION

There are different approaches to the subject. One approach is descriptive in providing an overview of industrial organization, such as measures of competition and the size-concentration of firms in an industry. A second approach uses microeconomic models to explain internal firm organization and market strategy, which includes internal research and development along with issues of internal reorganization and renewal. A third aspect is oriented to public policy as to regulation, antitrust, and, more generally, the economic governance of law in defining property rights, enforcing contracts, and providing organizational infrastructure.

The extensive use of game theory in industrial economics has led to the export of this tool to other branches of microeconomics, such as behavioral economics and corporate finance. Industrial organization has also had significant practical impacts on antitrust law and competition policy.

The development of industrial organization as a separate field owes much to Edward Chamberlin, Edward S. Mason, J. M. Clark, and particularly Joe S. Bain among others.

2009 book *Pioneers of Industrial Organization* traces the development of the field from Adam Smith to recent times and includes dozens of short biographies of major figures in Europe and North America who contributed to the growth and development of the discipline

Assessments of the subject have differed over time. The preface to a related research volume in 1972 remarked on whether industrial organization? "That all is not well with this in this once flourishing field is readily apparent." A response came 15 years later: "Today's verdict is that industrial organization is alive and well and the queen of applied microeconomics."

#### A. Subareas

- 1 – Market Structure, Firm Strategy, and Market Performance
- 2 – Firm Objectives, Organization, and Behavior
- 3 – Non-profit organizations and Public enterprise
- 4 – Antitrust Issues and Policies
- 5 – Regulation and Industrial policy
- 6 – Industry Studies: Manufacturing
- 7 – Industry Studies: Primary Products and Construction
- 8 – Industry Studies: Services
- 9 – Industry Studies: Transportation and Utilities

#### B. Market Structures

The common market structures studied in this field are the following:

1. Perfect competition
2. Monopolistic competition
3. Duopoly
4. Oligopoly
5. Oligopsony
6. Monopoly
7. Monopsony

#### C. Areas of Study

Industrial organization investigates the outcomes of these market structures in environments with

- Price discrimination
- Product differentiation
- Durable goods
- Experience goods
- Secondary markets, which can affect the behaviour of firms in primary markets.
- Signalling, such as warranties and advertising.
- Mergers and acquisitions

Such as transaction costs, limited information, and barriers to entry of new firms that may be associated with imperfect competition. It analyzes determinants of firm and market organization and behavior as between competition and monopoly, including from government actions. Industrial organization is the field of economics that builds on the theory of the firm in examining the structure of, and boundaries between, firms and markets. Industrial organization adds to the perfectly competitive model real-world frictions.

#### V. DATA ANALYSIS

Table .1 :Demographic details in Uttar Kannada

S.No.	Particulars	Value
i)	Population	
	Male	726806

	Female	706363	
	Total Population	1433169	
	Rural	975254	
	Urban	457915	
<b>ii)</b>	<b>Population density/Sq.km</b>	<b>142</b>	
<b>iii)</b>	<b>Literates</b>		
	Male (%)	79.2	
	Female (%)	71.2	
	Total (%)	75.0	
<b>iv)</b>	<b>Details on SC/ST population</b>		
	Male	63287	
	Female	62390	
	Total Population	125677	
	Literacy rate (%)		
	Male	-	
	Female	-	
	Total	-	
<b>v)</b>	<b>Labour Profile</b>		
a)	Total workers	581278	
b)	Male workers	395869	
c)	Female workers	185409	
d)	Rural workers	-	
e)	Urban workers	-	
f)	Cultivators	149555	
g)	Agricultural Labourers	46330	
h)	Household industry	10276	
i)	Other workers	283120	
j)	Marginal workers	125186	
k)	Non-workers	772366	
<b>l)</b>	<b>Average labour wages for farm operations ( Rs./man-day of seven to nine hours)</b>	<b>Skilled job</b>	<b>Unskilled job</b>
	<b>Peak seasons</b>		
	Male	250	200
	Female	200	150
	<b>Lean seasons</b>		
	Male	200	150
	Female	150	100
	<b>Average labour wages for farm operations ( Rs./man day of five to six hours)</b>	<b>Skilled job</b>	<b>Unskilled job</b>
	<b>Peak seasons</b>		
	Male	300	250
	Female	200	150
	<b>Lean seasons</b>		
	Male	250	200
	Female	150	100

(Source: Data collected from web site)

Table 2 : Types of Industries in Uttar Kannada

Sl.No.	Types of Industry	No.	Worker		
			Male	Female	Total
1	Ferrous and Non Ferrous	238	885	56	941
2	Food and Intoxicants	227	830	184	1014
3	Glass and Ceramics	48	288	165	453
4	Job Worker And Repairs	223	602	145	747

5	Leather	10	30	4	34
6	Mechanical Engineering	107	632	20	652
7	Paper and Printings	41	58	52	110
8	Rubber and Plastics	11	62	26	88
9	Textiles	45	141	131	272
10	Wood	99	749	106	855
11	Others	225	837	294	1131
<b>Total</b>		<b>1379</b>	<b>5470</b>	<b>1389</b>	<b>6859</b>

(Source: Data collected from district glance 2011)

## VI. ECONOMIC INFRASTRUCTURE OF THE DISTRICT

The human resources available in the district not only provides labour force for under taking economic activities but also serves as a market for the industrial produce. Since about 144 Kms of the Arabian sea coast borders Uttara Kannada District, fisheries has been the mainstay of the district economy. Development of Tadri Port and Railway Line connecting Ankola & Hubli will help in total economic development of the District.

### A. Roads and transport

The west coast Highway N.H.-17 runs through the district covering a total length of 162 KM. from Bhatkal to Majaii. The total length of roads including National Highway, State Highway, roads in charge of PWD, Village roads is 7975 KM. The communication roads in the rural areas and coastal areas are extensively damaged during rainy season. The length of National Highway is 238 KM and State Highway is 741 KM.

### B. Railways

Konkan Railway line passes through the coastal belt connecting important villages and Taluk Head quarters. Apart from this Railway Line about 46 KM connecting Dandeli to Ainavar on the Puna Bangalore section of South Central Railway and a line from Londa to Castle rock in Joida Taluka. Total Railway track is 179 KM with fifteen No. Railway Stations.

### C. Ports and air ports

14 Minor and Small ports of which Karwar, Belekeri, Bhatkal and Honnavar are very important as they provide good potential for the development of trade and Industries particularly Marine Based Industries. The Karwar port being one of the best natural harbours, is being upgraded under Port Development Project and on its completion will offer better and increased berthing and docking facilities to large sea faring vessels. The port has considerable potential for the movement of the container cargo as it is found to be logistically viable. The state Govt. has decided to start container handling facility at the port.

The port has handled total import and export of 2.22 lakh tonnes and 2.37 lakh tonnes of cargo during 1999-2000 respectively. The port has earned revenue of Rs. 251.25 lakh in 1999-2000. The State Govt. has earmarked Rs. 85 crore towards expansion plans for the development of Karwar port into one of the modern minor port. There is no Air Port in the District. Dabolium Air Port of Goa is about 95 K.M. away from Karwar.

### D. Telecommunication

Information Technology is still to be picked up in the district. There are 495 Post Offices and 230 Telegraph Office. The number of Telephones in the district is 61809. Public STD Booths are 614. No. of Telephone Exchanges 120.

### E. Power

Uttara Kannada is known for power generation. The district is blessed with good hydro power potential. The kali Hydro electric project is being developed in three stages to generate 1640 mw. Of power. Under the first stage installed capacity of 910mw, has been developed at a cost of Rs.460.47 crore. Kaiga Atomic Power Project with an installed capacity of 4 x 235 mw. is under implementation. In this Atomic Power Project Two generators of 235 mw. are in operation. Kadra Dam Power House is being developed in three stages to generate 1.50 mw. of power which is fully operational. Three more power projects have been proposed in the private sector in the district with a capacity of 160 mw. 14 towns and 2306 villages have been electrified in the district.

### F. Education

There are 2162 Primary Schools, 234 High Schools, 28 Junior Colleges, 20 Colleges, 2 TCH Schools, 3 C. P. Ed. Schools, 13 Polytechnics, 6 IITs, One law College and One Engineering College in the District. Besides these there are 107 Libraries.

### G. Credit facilities and finance

The most important factor for setting up of any industry is provision of credit facilities. These

facilities are provided by financial institutions. In Uttar Kannada District Commercial Bank Branches and Co-op Banks are spread all over the area. There are 137 Branches of Commercial Banks in the District. The lead bank of this district is Syndicate Bank. R.R.B. i.e. Varada Gramin Bank is having 27 branches all over the district. K.S.F.C. is having its branch at Karwar. All the Taluks are having PCARD Banks. There are 5 Industrial Co-op Bank Branches in the district. KDCC Bank is having 43 branches and there are 12 Urban Co-op Bank branches in the District.

#### H. Health and family welfare

Health and family welfare is one of the important civic amenities for the public. There are 15 Govt. Hospitals, 56 Primary Health Centers, 19 Primary Health Units, 111 Private Hospitals and Nursing Homes and 244 Medical Shops in the district.

#### I. Water supply

Since the District receives good rain fall, availability of ground water is good and five important rivers are flowing through the District, there is no dearth of water for industrial development in the District. At present the requirement of water for Karwar & Ankola Town is being met by water pumping plant set at Agasu by K.U.W.S. & S. Board.

### VII. CONTEMPORARY INDUSTRIAL ORGANIZATION

#### 1 WHAT:

The study of imperfect competition and strategic interaction

#### 2 HOW:

- Build on game theory foundation
- Derive empirically testable propositions
- Econometric estimates of relations predicted by theory

#### 3 WHY:

- Motivated largely by antitrust concerns
- Also interest in private solutions to inefficient market outcomes

“The field of industrial organization emerged after the establishment of national markets in manufactured goods at the turn of the century. These national markets had two important distinguishing characteristics: (i) products were differentiated and (ii) often there were only a few relatively large suppliers. These features suggest that the theory of perfect competition, which assumes homogeneous products and large numbers of small buyers and sellers is inapplicable. In general we would expect that markets in which there are only a few firms or markets in which products are differentiated will be characterized by firms that are price makers, not the price takers of the perfectly competitive model.”

The descriptive approach: providing an overview of industrial organization, such as measures of competition and the size-concentration of firms in an industry.

The usage of microeconomic models: explain internal firm organization and market strategy. As to strategic firm interaction, non-cooperative game theory has become the standard unifying method of analysis.

The orientation to public policy as to economic regulation and antitrust law  
The development of industrial organization as a separate field owes much to Edward Chamberlin, Edward S. Mason, and Joe S. Bain.

Read carefully different concepts of industrial organization and write a short presentation on the new industrial organization and its distinguishing features.

### VIII. COMPONENTS OF THE STRUCTURE, CONDUCT, AND PERFORMANCE MODEL FOR INDUSTRIAL ORGANIZATION INCLUDE

- A. **Basic conditions:** consumer demand, production, elasticity of demand, technology, substitutes, raw materials, seasonality, unionization, rate of growth, product durability, location, lumpiness of orders, scale of economies, method of purchase, scope economies
- B. **Structure:** number of buyers and sellers, barriers to entry of new firms, product differentiation, vertical integration, diversification  
Orders are lumpy when sales occur relatively infrequently in large batches as opposed to being smoothly distributed over the year. Lumpy orders reduce the frequency of competitive interactions between firms.
- C. **Conduct:** advertising, research and development, pricing behavior, plant investment, legal tactics, product choice, collusion, merger and contracts.
- D. **Performance:** price, production efficiency, allocative efficiency, equity, product quality, technical progress, profits.
- E. **Government policy:** government regulation, antitrust, barriers to entry, taxes and subsidies, investment incentives, employment incentives, macroeconomic policies.

## IX. STRUCTURE CONDUCT PERFORMANCE PARADIGM

Structure Conduct Performance Paradigm is an approach used to analyze the relation among market performance, market conduct, and market structure. It indicates that market structure determines the market conduct, and thereby sets the level of market performance. Working backward, we find that market performance is determined by market conduct, which in return depends on market structure.

Economists are especially interested in studying the SCP paradigm because they think that seller concentration affects the industry's social performance. The economic theorists express that effect in terms of higher profits earned by the monopoly. On the other hand, Industrial Organization economists express the effect in terms of locative inefficiency.

However, economists who use the Structure Conduct Performance (SCP) approach disagree on the emphases that they give to each of the three elements. Some give market structure and market conduct an equal importance in determining market performance. Others argue that market conduct is largely determined by market structure, hence, market performance depends heavily on market structure, and that leads them to pay little attention to market conduct. Market Structure Conduct and Performance framework was derived from the neo-classical analysis of markets.

## X. INDUSTRIAL ECONOMICS DEALS WITH THE STUDY OF THE BEHAVIOUR OF FIRMS IN THE MARKET

The field as a separate area within microeconomics appears after the so-called monopolistic competition revolution, linked to the names of Mason (1939) and Bain (1949, 1956) ("Harvard tradition"). Barrier to entry was the central concept giving rise to market power. The approach is essentially motivated by stylized facts arising from an empirical tradition seeking how the structural characteristics of an industry determine the behavior of its producers that, in turn, yields market performance. This framework of analysis is the Structure-Conduct-Performance paradigm (Scherer (1970); Schmalensee (1989); Martin (2002)).

This paradigm dominated the evolution of the field for three decades. During these years research was mainly discursive and informal and independent of the formal microeconomic analysis of imperfect markets. Basically, the SCP provided a general framework allowing the implementation of public policies from empirical regularities observed in many industries. The early seventies witnessed a major revolution in the

analysis, leading to the so-called "new industrial economics".

Following Martin (2002), three factors are behind this evolution. (i) the conclusions of the formal microeconomic models are not qualitatively different from those of the SCP paradigm.; (ii) empirical economists held that market structure should be treated as endogenous rather than exogenous with respect to conduct and performance. This raised the need for a theoretical foundation of the econometric models (to be found in the microeconomic models of oligopoly); (iii) last but not least, the application of game theory to the modeling of oligopolistic interaction provided the definite element to replace the SCP paradigm and place Oligopoly Theory (understood as the analysis of strategic interactions being central to the determination of market performance) and the standing methodology.

Oligopoly - market situation between, and much more common than, perfect competition (having many suppliers) and monopoly (having only one supplier). In oligopolistic markets, independent suppliers (few in numbers and not necessarily acting in collusion) can effectively control the supply, and thus the price, thereby creating a seller's market. They offer largely similar products, differentiated mainly by heavy advertising and promotional expenditure, and can anticipate the effect of one another's marketing strategies. Examples include airline, automotive, banking, and petroleum markets.

Oligopsony - market situation where presence of few buyers and many suppliers creates a buyer's market.

The Market structure consists of the relatively stable features of the market environment that influence rivalry among the buyers and sellers operating within this market. The main elements that influence market structure are, seller concentration, product differentiation, barriers to entry, barriers to exit, buyer concentration, and the growth rate of market demand. Other elements of market structure exist, but they are usually unstable and therefore ignored either because they can't be measured or because they are hard to observe.

## REFERENCE

- [1] Moschandreas, Maria (2000). Business Economics, 2nd Edition, Thompson Learning, Description and chapter-preview links.
- [2] National Association for Business Economics, Business Economics@
- [3] Sloman, J and Sutcliffe (2004) Economics for Business, Financial Times/ Prentice Hall; 3 edition
- [4] Jones, Trefor, 2004 Business Economics and Managerial Decision Making, Wiley. Description and chapter-preview links.



- [5] Wilkinson, Nick (2005). *Managerial Economics: A Problem-Solving Approach*, Cambridge University Press. Description and preview.
- [6] R. H. Coase, 1937. "The Nature of the Firm", *Economica*, N.S., 4(16), pp. 386–405.
- [7] 1988. "The Nature of the Firm: Influence", *Journal of Law, Economics, & Organization*, 4(1), pp. 33–47. Reprinted in *The Nature of the Firm: Origins, Evolution, and Development*, 1993, O. E. Williamson and S. G. Winter, ed., pp. 61–74.
- [8] 1991. "The Institutional Structure of Production", Nobel Lecture, reprinted in 1992, *American Economic Review*, 82(4), pp. 713–719.
- [9] Oliver E. Williamson, 1981. "The Economics of Organization: The Transaction Cost Approach", *American Journal of Sociology*, 87(3), pp.548–577.
- [10] 2009. "Transaction Cost Economics: The Natural Progression", Nobel Lecture. Reprinted in 2010, *American Economic Review*, 100(3), pp. 673–90.
- [11] George J. Stigler, [1987] 2008. "Competition", *The New Palgrave Dictionary of Economics*, 2nd Edition. Abstract.
- [12] Luigi Zingales, 2008. "Corporate governance", *The New Palgrave Dictionary of Economics*, 2nd Edition. Abstract.
- [13] Frederic M. Scherer and David Ross, 1990. *Industrial Market Structure and Economic Performance*, 3rd ed. Description and 1st ed. reviewextract.
- [14] Dennis W. Carlton and Jeffrey M. Perloff, 2004. *Modern Industrial Organization*, 4th edition, pp.2–3. Description.
- [15] Frederic M. Scherer and David Ross, 1990. *Industrial Market Structure and Economic Performance*, 3rd ed. Description and 1st ed. reviewextract.
- [16] Dennis W. Carlton and Jeffery M. Perloff, 2004. "Modern Industrial Organization, Overview", ch. 5, *Handbook of Industrial Organization*, Elsevier, v. 1, pp. 259–327.
- [17] Carl Shapiro, 1989. "The Theory of Business Strategy", *RAND Journal of Economics*, 20(1), pp. 125–137.
- [18] Kyle Bagwell and Asher Wolinsky (2002). "Game theory and Industrial Organization", ch. 49, *Handbook of Game Theory with Economic Applications*, v. 3, pp. 1851–1895.
- [19] Martin Shubik, 1987. *A Game-Theoretic Approach to Political Economy*, Part II. MIT Press. Description. Archived May 3, 2011, at the Wayback Machine.
- [20] Richard Schmalensee and Robert Willig, eds., 1989. *Handbook of Industrial Organization*, Elsevier, v. 2, Part 5, Government Intervention in the Marketplace, ch. 22–26, abstract links.