Markets

Markets may be any of a variety of different systems, institutions, procedures, social relations and infrastructures whereby persons trade, and goods and services are exchanged, forming part of the economy. Markets vary in size, range, geographic scale, location, types and variety of human communities, as well as the types of goods and services traded. Some examples include local farmers' markets held in town squares or parking lots, shopping centers and shopping malls, international currency and commodity markets, legally created markets such as for pollution permits, and illegal markets such as the market for illicit drugs.

In mainstream economics, the concept of a **market** is any structure that allows buyers and sellers to exchange any type of goods, services and information. The exchange of goods or services for money is a transaction. Market participants consist of all the buyers and sellers of a good who influences its price. This influence is a major study of economics and has given rise to several theories and models concerning the basic market forces of supply and demand. There are two roles in markets, buyers and sellers. The market facilitates trade and enables the distribution and allocation of resources in a society. Markets allow any tradable item to be evaluated and priced. A market emerges more or less spontaneously or is constructed deliberately by human interaction in order to enable the exchange of rights (cf. ownership) of services and goods.
The historical origin of markets is the physical marketplaces which would often develop into small communities, towns and cities.

Market stuctures:

- **Perfect competition** describes a market in which no buyer or seller has market power. Such markets are usually allocatively and productively efficient. In general a perfectly competitive market is characterized by the fact that no single firm has influence on the price of the product it sells. Because the conditions for perfect competition are very strict, there are few perfectly competitive markets.
  A perfectly competitive market may have several distinguishing characteristics, including:
  1. **Many buyers/Many Sellers** – Many consumers with the willingness and ability to buy the product at a certain price, Many producers with the willingness and ability to supply the product at a certain price.
  2. **Homogeneous Products** – The products of the different firms are EXACTLY the same, e.g. salt.
  3. **Low-Entry/Exit Barriers** – It is relatively easy to enter or exit as a business in a perfectly competitive market.
  4. **Perfect Information** - for both consumers and producers.[2]
  5. **Firms Aim to Maximise Profits** - Firms aim to sell where marginal costs meet marginal revenue, where they generate the most profit.

- An **oligopoly** is a market form in which a market or industry is dominated by a small number of sellers (oligopolists). The word is derived from the Greek for *few (entities with the right to) sell*. Because there are few participants in this type of market, each oligopolist is aware of the actions of the others. The decisions of one firm influence, and are influenced by the decisions of other firms. Strategic planning by oligopolists always involves taking into account the likely responses of the other market participants. This causes oligopolistic markets and industries to be at the highest risk for collusion.

- **Monopoly** (from Greek *monos* , alone or single + *polein* , to sell) exists when a specific individual or enterprise has sufficient control over a particular product or service to determine significantly the terms on which other individuals shall have access to it. Monopolies are thus characterized by a lack of economic competition for the good or service that they provide and a lack of viable substitute goods. The verb "monopolize" refers to the *process* by which a firm gains persistently greater market share than what is expected under perfect competition.

Monopolistic competition is a common market form. Many markets can be considered monopolistically competitive, often including the markets for restaurants, cereal, clothing, shoes and service industries in large cities.

Monopolistically competitive markets have the following characteristics:

- There are many producers and many consumers in a given market.
- Consumers perceive that there are non-price differences among the competitors' products.
- There are few barriers to entry and exit.
- Producers have a degree of control over price.

The characteristics of a monopolistically competitive market are almost the same as in perfect competition, with the exception of heterogeneous products, and that monopolistic competition involves a great deal of non-price competition (based on subtle product differentiation). A firm making profits in the short run will break even in the long run because demand will decrease and average total cost will increase. This means in the long run, a monopolistically competitive firm will make zero economic profit. This gives the company a certain amount of influence over the market; because of brand loyalty, it can raise its prices without losing all of its customers. This means that an individual firm's demand curve is downward sloping, in contrast to perfect competition, which has a perfectly elastic demand schedule.