

Understanding Markets

An Introduction to the Theory,
Institutions and Practice of
Markets

Keith Bain

Senior Lecturer in Applied Economics
North East London Polytechnic

Peter Howells

Principal Lecturer in Applied Economics
North East London Polytechnic



HARVESTER · WHEATSHEAF

NEW YORK LONDON TORONTO SYDNEY TOKYO

Contents

<i>List of Figures</i>	viii
<i>List of Tables</i>	ix
<i>Author's Preface</i>	xi
<i>Acknowledgements</i>	xiii
1 Characteristics of Modern Markets	1
1.1 The nature of modern markets	2
1.2 Demand and supply	11
1.3 Prices and market clearing	16
1.4 People and markets	23
2 Consumers in Product Markets	27
2.1 Changes leading to shifts in demand curve	28
2.2 A summary of influences on demand	38
2.3 Some alternative notions	40
2.4 Regulation of consumer markets	45
2.5 The fairness of consumer markets	49
2.6 The problem with government regulation	51
3 Firms in Product Markets	54
3.1 Competition in Product Markets	54
3.2 Product markets in practice	62
3.3 Firms and their objectives	64
3.4 Rivalry and competition	67
3.5 Choice and strategies—firms in practice	67
3.6 Small firms and failure	72
3.7 Government intervention	73
4 The Labour Market	77
4.1 The demand for labour	78
4.2 The supply of labour	86

4.3	Unemployment and the role of search	90
4.4	The net advantages approach to wage differentials	91
4.5	Price adjusting labour markets and the real world	93
4.6	Distinctive features of labour markets	93
4.7	A quantity adjusting labour market	103
5	The Markets for Money and Bills	106
5.1	Characteristics	106
5.2	The supply of money	112
5.3	The demand for money	118
5.4	Money market equilibrium	121
5.5	Some difficulties	123
5.6	The importance of flows	125
5.7	The supply of bills	129
5.8	The demand for bills	130
5.9	The discount market	131
6	The Market for Bonds	145
6.1	Characteristics	145
6.2	The supply of bonds	150
6.3	The demand for bonds	152
6.4	The trading of bonds	160
7	Equities	165
7.1	Characteristics	165
7.2	The supply of equities	169
7.3	The demand for equities	171
7.4	The behaviour of share prices	175
7.5	The buying and selling of equities	187
8	Foreign Exchange Markets	190
8.1	Expressions of exchange rates	193
8.2	The demand for and supply of foreign currencies	197
8.3	Government intervention in foreign exchange markets	201
8.4	Foreign exchange assets	206
8.5	Market clearing and exchange rate systems	213
9	Commodity Markets	219
9.1	The demand for and supply of commodities	219
9.2	Commodity market problems	222
9.3	Attempts to control supply	226

9.4	The protection of agriculture	230
9.5	International commodity prices	240
9.6	Futures markets in commodities	245

<i>Index</i>		250
--------------	--	-----