

*University of Mujahid Abdelhafid Boussouf – Mila*

*Faculty of Economics, Commercial & Management Sciences*

*Departement Of Tronc Commun*

*Lectures On : English economic terminology*

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# Market Types

A market is a place, physical or virtual, where buyers and sellers meet to exchange goods, services, or resources at mutually agreed prices. Markets are essential in Economics, as they facilitate the allocation of resources and determine prices through the interaction of supply and demand.

## 1. Definition of a Market

According to **Philip Kotler**, a market is **the set of actual and potential buyers of a product or service**. It emphasizes that a market consists not only of current customers but also of **potential consumers** who may purchase the product in the future, reflecting both demand and opportunity for sellers.

So market is Any mechanism, institution, or environment where **buyers (demanders)** and **sellers (suppliers)** interact to trade goods, services, or resources, either directly or indirectly, at agreed prices.

Markets can exist physically (like shops, bazaars) or virtually (like online platforms and e-commerce).

## 2. Functions of a Market

The market performs several important functions in the economy, including the following:

✓ **Price determination:** The market helps establish the value of goods and services through the interaction of supply and demand.

✓ **Regulation of production:** It organizes the production process through factor markets, which influence production costs for producers, and consumer markets, which determine the prices and quantities of goods demanded.

✓ **Distribution of goods:** The market facilitates the allocation and distribution of produced goods according to consumer demand, which is influenced by factors such as population size and market prices.

✓ **Support for forecasting:** By analyzing sales patterns and market behavior, the market provides useful information that helps businesses anticipate future developments.

✓ **Guidance for savings and investment:** Market signals also help identify future economic trends, enabling individuals and firms to make decisions regarding saving and investment in particular regions.

## 3. Types of Markets

There are several criteria for market segmentation, including **product type**, **geographic Scope**, and **market structure (nature of competition)**. These are illustrated in the following table:

**Table 1: Types of Markets**

Criterion	According to the Nature of Goods (product type)	According to the Geographic Scope	According to Market Structure (nature of competition)
<b>Types of Markets</b>	- Product Markets - Financial Markets - Factor Markets (Factors of Production)	- Local Markets - Regional Markets - International / Global Markets	- Perfect Competition Market - Monopolistic Competition Market - Oligopoly Market - Monopoly Market

The above table can be explained as follows:

1. **Product Type:** Markets can be classified based on the nature of the goods or services traded. **Product markets** involve tangible goods for consumption, **financial markets** deal with assets such as stocks and bonds, and **factor markets** are where production inputs like labor, capital, and land are exchanged.

2. **Geographic Scope:** Markets differ in their scope of operation. **Local markets** serve a specific city or town, **regional markets** cover a larger area such as a province, and **international or global markets** operate across countries or worldwide.

3. **Market Structure (Nature of Competition):** Markets can also be distinguished by the level of competition. In a **perfectly competitive market**, many buyers and sellers exist, with identical products and no control over prices. **Monopolistic competition** features many sellers with differentiated products, allowing some pricing power. **Oligopolies** are dominated by a few large firms, while a **monopoly** is controlled by a single seller who sets prices and supply.

In summary, Markets are the backbone of economic activity. Understanding their types and functions helps explain how goods and services are exchanged, how prices are determined, and how resources are allocated efficiently in an economy.

#### 4. Market Equilibrium

Market equilibrium is a fundamental concept in economics that explains how prices and quantities of goods are determined in a market through the interaction of **supply and demand**

##### 4.1. Definition of Market Equilibrium

Market equilibrium occurs when the quantity demanded by consumers is equal to the quantity supplied by producers at a certain price. At this point, there is no shortage or surplus in the market, and the price is called the equilibrium price, while the quantity exchanged is known as the equilibrium quantity.

##### 4.2. Conditions of Market Equilibrium

For a market to reach equilibrium, the following conditions must be satisfied:

✓ **Equality between supply and demand:**

Quantity Supplied (Qs) = Quantity Demanded (Qd).

✓ **Stability of price:**

The price tends to stabilize because neither buyers nor sellers have an incentive to change it.

✓ **Efficient allocation of resources:**

Goods are produced and distributed according to consumers' needs.

### 4.3. Graphical Representation of Market Equilibrium

Market equilibrium is usually illustrated using a **supply and demand graph**:

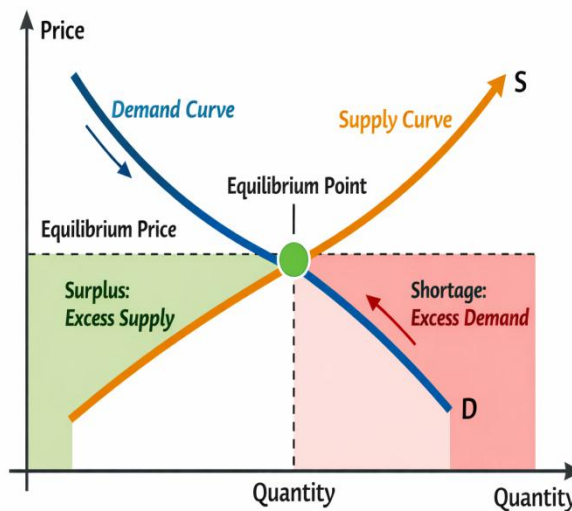
✓ The **demand curve** slopes downward because higher prices reduce the quantity demanded.

✓ The **supply curve** slopes upward because higher prices encourage producers to supply more goods.

✓ The **intersection point** of the two curves represents the **equilibrium price and equilibrium quantity**.

The Supply-Demand Diagram illustrates market equilibrium as follows:

**Figure 1: Supply–Demand Diagram**



In conclusion, market equilibrium represents the balance between supply and demand. It plays an essential role in determining prices and ensuring efficient allocation of resources in the economy

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