

Laxmi Narain Dubey College, Motihari

(a constituent unit of B.R.A. Bihar University, Muz.)

NAAC Accredited 'B+'

Department of Economics

Topic: TYPES OF MARKETS

Paper-I: MICROECONOMICS

Part-I

B.A. (Hons.)

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TYPES OF MARKETS

- ✓ A market is a place where the buyers and the sellers of certain goods are in close contact with each other, the contact may be of direct or indirect type.
 - ✓ The number of sellers and the number of buyers determine the price of goods in the market.
 - ✓ The number of sellers of goods in the market determines the level of competition, and thus, the structure of the market.
 - ✓ **Market:** Market is a situation in which buyers and sellers come into contact for the purchase and sale of goods and services.
 - ✓ **Market structure:** It refers to number of firms operating in an industry, nature of competition between them and the nature of product.
- ✓ There are *four* main types of markets:
1. **Perfect competition:**
 - There are large number of buyers and sellers of the goods.
 - The price of specific goods is determined in the market by its demand and the supply.
 - Commonly, the producing firm does not have any discretion in fixing the price of the said goods.
 2. **Monopoly:**
 - There is a single seller of the good in the market with no close substitutes for the goods.
 - There is no competition with the firm exercising a great deal of control over the price of the goods.
 3. **Monopolistic competition:**
 - There are a large number of firms, which are involved in the production of differentiated goods.
 - Each firm has some discretion in fixing the price of its product.
 4. **Oligopoly:**
 - There are a few large firms selling similar or differentiated goods.
 - There is intense competition between the firms and often they form cartels with the aim of controlling the markets.
 - Each firm has a control over the price of the goods it produces, especially if the procured goods are of differentiated category.