12.MARKET, MARKET STRUCTURE AND PRICE DETERMINATION

Meaning of Market

In the words of Cournot a French economist, "**Economists understand by the term market not any particular market place in which things are bought and sold but the whole of any region in which buyers and sellers are in such free intercourse with one another that the price of the same goods tends to equality easily and quickly.**"

Thus, the essentials of a market are: (a) a commodity which is dealt with; (b) the existence of buyers and sellers; (c) a place, be it a certain region, a country or the entire world; and (d) such intercourse between buyers and sellers that only one price should prevail for the same commodity at the same time.

Market structure

The term structure refers to something that has organization and dimension – shape, size and design; and which is evolved for the purpose of performing a function.

Perfect Markets:

On the basis of competition, markets may be classified into the following categories A perfect market is one in which the following conditions hold good:

a. There is a large number of buyers and sellers:
b. All the buyers and sellers in the market have perfect knowledge of demand, supply and prices:
c. Prices at any one time are uniform over a geographical area, plus or minus the cost of getting supplies from surplus to deficit areas:
d. The prices are uniform at any one place
e. The pries of different forms of a product are uniform, plus or minus the cost of converting the product from one form to another.

Imperfect Markets: The markets in which the conditions of perfect competition are lacking are characterized as imperfect markets. The are the different types of imperfect markets.

a. *Monopoly Market:* Monopoly is a market situation in which there is only one seller of a commodity. He exercises sole control over the quantity or price of the commodity. In this market, the price of a commodity is generally higher than in other markets. Indian farmers operate in monopoly market when purchasing electricity for irrigation. When there is only on buyer of a product the market is termed as a monopsony market.

b. *Duopoly Market:* A duopoly market is one which has only two sellers of a commodity. They may mutually agree to charge a common price which is higher than the hypothetical price in a common market. The market situation in which there are only two buyers of a commodity is known as the duopsony market.

c. *Oligopoly Market:* A market in which there are more than two but still a few sellers of a commodity is termed as an oligopoly market. A market having a few (more than two) buyers is known as oligopoly market.

d. *Monopolistic Competition:* When a large number of sellers deal in heterogeneous and differentiated form of a commodity, the situation is called monopolistic competition. The different is made conspicuous by different trade marks on the product. Different prices prevail for the same basic product. Examples of monopolistic competition faced by farmers may be drawn from the input markets. For example, they have to chose between various makes of insecticides, pumpsets, fertilizers and equipments.

Price Determination Under Perfect Competition

Price is determined b the interaction of the forces of demand and supply. Equilibrium price is established at the level at which demand curve intersects the supply curve, or at which the quantity demanded is equal to the quantity supplied. At any price higher than the equilibrium price, the quantity supplied will exceed the quantity demanded; competition between sellers will force the price down to the equilibrium level. Similarly, at any price lower than the equilibrium one, the quantity demanded will be greater buyers will push the price up to the equilibrium level.