Market and its Functioning

Market is an instrument or mechanism which is function on the definite space where customers and sellers with different goods and services are cooperating to each other. Markets are differing from each other with the specific of goods and also services but with the freedom of choice for customer.

The main point in consideration of functions of the market is coming to the exposure of regularity of forming prises for goods and services under the influence of supply and demand.

Law of demand

Demand is forming by the customer which determines the structure and amount of bought products with definite prise in the definite period of time. That means the demand is forming from many factors.

One of characteristics of demand is an interrelationship between prise and amount of demand. When the prise goes up, as a rule, the demand goes down and vice versa when the prise goes down demand goes up. This interrelation is formed as a law of demand. This law is formed with next factors: the first factor: for the customer prise is some sort of barrier which doesn’t let him to by the good he planned. Low prise for good is stimulating to buy it and high prise restrains from buying. The second factor: there is an effect of the income and of its real use. The high prise for one of the goods can be compensated with the purchase of other good with lower prise which is able suitable replace the first good. The effect of income is showing that when the prise is lower the costumer is able to buy more of given good and not rejecting himself from buying some of alternative goods.

Beside the prise there are other factors which influence on the average amount of demand. These factors are: preferences of costumer, changing of amount of costumers, the change of income, and change of prise of provide goods (Makarkin, 2006).

The law of demand has it practical meaning for sellers and customers in case if its influence has a quantitative meaning as soon as it influence on the exchange of productivity and on the amount of possible expenses of costumers. The law of demand has its reflection in the law of supply.

Law of Supply

It is obvious that that there is the straight dependence between the prise of good and the amount of good on the market. Rising of prise is stimulating the producer to rise the amount of good on the market. This interrelation between the prise and the amount of production is called the law of supply. The interest of producer in increasing the amount of produced good can be easily can be explained the singe number of good is leading to definite amount of income from selling of this good.

The supply in big quantity is caused by next factors: change in prise for resources which are includes in production of good, change in technologies which causes the rise of productivity, change in taxes, change in expectations (reducing of prises in future which makes the producers who rise the productivity in that time), and the change of number of suppliers.

The change in supply might be caused by other reasons as well: the economy factors, amount of employees ext. (Verian, 1997).

Elasticity of supply and demand

The degree of sensitivity or reaction of consumer or producer on the change of prise of goods and services is actually the elasticity of supply and demand. In case if consumer is reacting on change of prise that the demand is elastic but in case if consumer is not reacting that the demand is not elastic. The index of elasticity is also applied in relation of the amount of produced products.

In everyday practice life of market there is a situation when shortage or surplus of goods which is influence on prices.

Firs case: supply of goods in exceeds the demand. This exceed might be caused by surplus of production of goods or by unfounded high prices. This situation also might be caused in case if population has low income.

Second case: the demand exceeds the supply. This case is showing that the market has the deficit of those or other goods. This situation makes consumers to look for the provided goods. Market is reacting on deficit by rising prices for goods. The solutions of this situation might be: decreasing of the income of population, or by raising the amount of products which are demanded.

Third case: equality of supply and demand. This case might happen after some period of time. This exact time shows that the price is optimal. The optimal price is coming in case of free competition and theoretically denies correspondence of price for the good to amount of needed expenses. Such equality shows us the stability of production and the market which makes the best affectivity of market economy (Matveeva, 2007).

Models of market and its impact on productivity

Market relationships are influencing on productivity by interrelation of supply and demand. However this influence is not limited only with role of price and pricing. The huge impact on production, distribution, material exchange, ext make model of market. There are four models of market: 1 perfect competition, 2 monopolies, 3 monopolistic competition, 4 oligopoly. On the base of different models of market in population the freedom of business is forming the tendency of forming expenditures of labour for production of goods and services. (Dolan, 1996)

Kinds of market competition

Perfect competition characterized by big amount of independent firms which produce standard products. In perfect competition of firms products can be moved from one branch of industry to another. That means that firms can move from production of one good to another (Chekanski, 2008).

The monopolies. The monopolist is the company which the only one producer of some good and which doesn't have any replaceable alternative of this good. Monopolies are trying to get maximum profit from every single product. Taking a unique place on market monopolies has the possibility to set higher prices. On the other hand there are some barriers which monopolies have to take in a count. First of all the rise of prices is not always leads to elasticity of demand. Secondly, by the law which is existing in countries with market economy setting the few prices for the same good is price discrimination (Chekanski, 2008).

The competition which is going between different kinds of markets has its positives and negatives. It is an important element in mechanism of self regulation. Market is an indicator of population needs and common weal. On the other had market is signalling about future potential possibilities of productions which would form common finance weal.

On the perfect competition market the law of cost takes place. With its influence one producers are able to compete with other producers and also successfully progressing on the other hand others are bankrupting or living the market.

Methods of regulation of market

On this level of evolution of market it plays the very important role. Market is providing the balanced pay ability of supply and demand. The market itself is a place with help of with the exchange of products and services if going. So when we are speaking about market regulation the main goal is to define methods with help of which we can effectively influence the sphere where the main economic relation of producer and consumer take place. The regulation of market is going with direct and indirect methods of influence on the amount and structure of sale. The important way of influence on amount and structure of demand is centralization which is provided by governments' politic of population income. Government has the direct impact to populations' income. All these factors have impact on the amount of solvency demand of population.

As an indirect method of market regulation there is government regulation of prices, taxes systems and also custom-house politics which is focused on protection of interests of producers (Makarkin, 2006).

References

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