

Markets Chapter 4 - theory
 " 6 - applications

- 2 sides: Buyers
 Sellers

- without cash (medium of exchange)

Barter - double coincidence
 of wants

- divisibility

- cash → trust convertible

- stable value

- not counterfeited

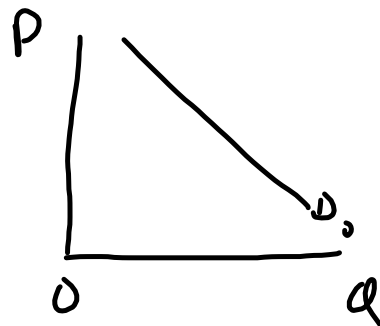
tax man ignorant
 of barter

Market Buyer / Seller

Demand

Own price of good
- along D curve

Everything else
- shift of D curve



- Tastes
- Prices of Related Goods - Substitute
- Expectations of future prices - Complement
- Income - Normal
- Inferior

Supply

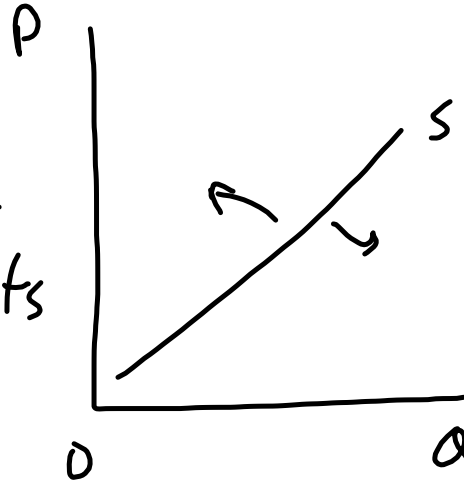
Own price
- along S curve

Everything else shifts curve

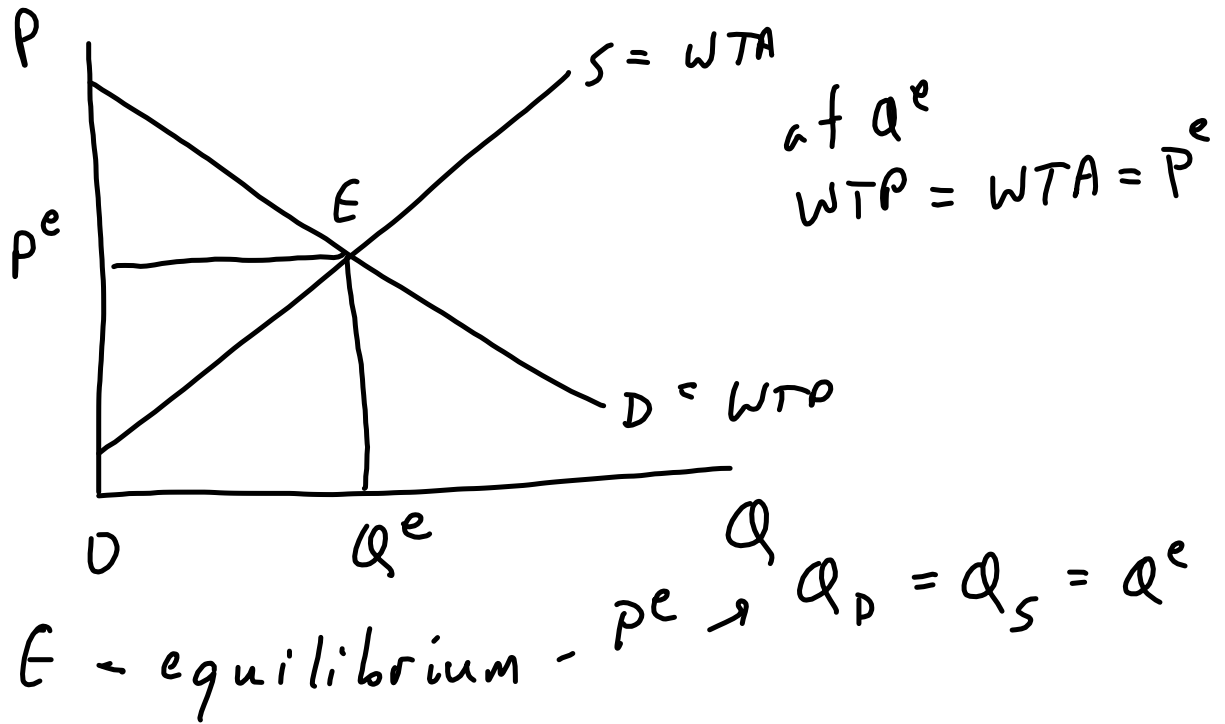
→ Cost of inputs

→ Technical change
- lower costs
- raise costs

→ Expectations

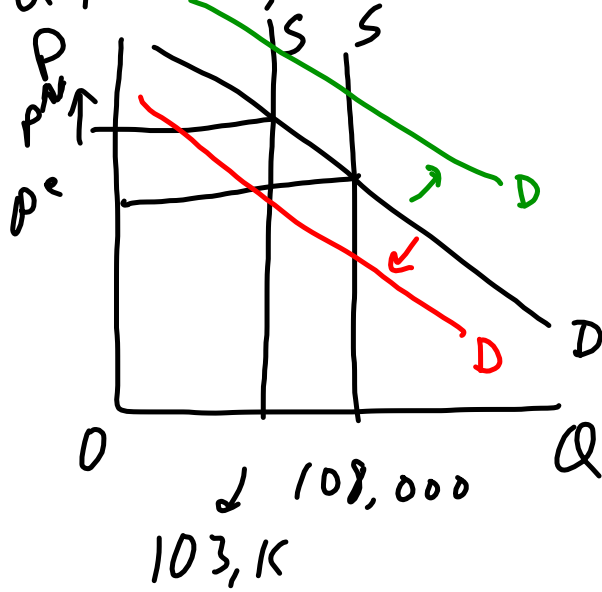


Production function
 $Q_s = Q_s(L, \text{Energy}, \text{Materials})$



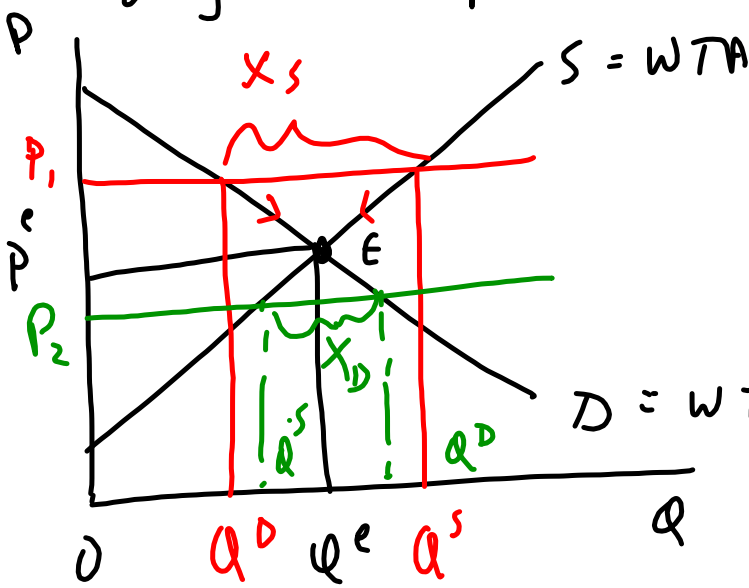
Q driven - stadium

UT 108,000 seats



opponent D shift
 ↳ Taste
 $P^e \rightarrow P^N$ as $S \downarrow$
 less important
 to fans (opponent)
 important game
 or opponent

more general case $S + D$
adjust to price



Equilibrium
→ no internal force that alter (P^e, Q^e)

$D = WTP$ → self equilibrating
if $P > P^e$ ✗
 $P < P^e$ ✗
setup force to restore equit.

$Q^S > Q^D$ - excess S.
- short side rules - Q
in market
 $P \downarrow$ from P_1

Markets "organization" - rules

Q rule → seller reacts to Q
 purchased vs Q brought

Alfred Marshall → fish - sell out

Price rule → auction

- open outcry auction } eBay
 ascending price } - reigning bid
 ↳ one sided market

buyer revising bids
 seller silent

NY Stock exchange - 2 sided. } lots of information
 Buyer bids
 Seller offers