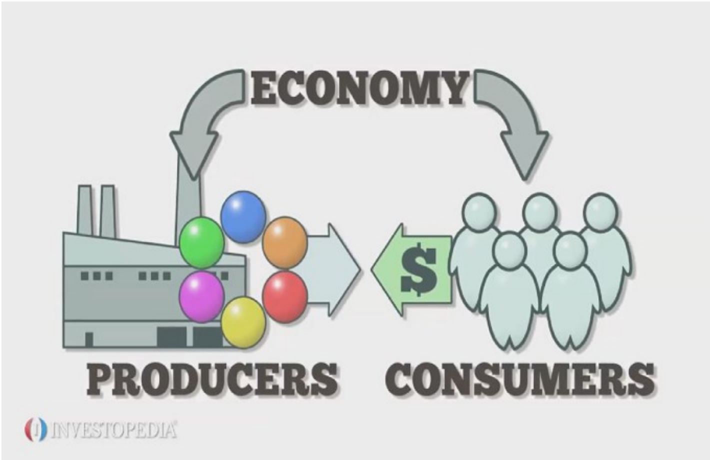
Microeconomics studies individual markets by simplifying the economic system by assuming that activity in the market being analysed does not affect other markets. This method of analysis is known as partial-equilibrium analysis (supply and demand). This method aggregates in only one market.

General-equilibrium theory studies various markets and their behaviour. It aggregates across all markets. This method studies both changes in markets and their interactions leading towards equilibrium.



MARKETS

What is a market?

Microeconomics examines how entities, forming a market structure, interact within a market to create a market system. These entities include private and public players with various classifications, typically operating under scarcity of tradable units and light government regulation. The item traded may be a tangible product such as apples or a service such as repair services, legal counsel, or entertainment.

What happens in a market?

In theory, in a free market, the aggregatesof quantity demanded by buyers and quantity supplied by sellers may reach economic equilibrium over time in reaction to price changes; in practice, various issues may prevent equilibrium, and any equilibrium reached may not necessarily be morally equitable. For example, if the supply of healthcare services is limited by external factors, the equilibrium price may be unaffordable for many who desire it but cannot pay for it.

Market forms

Forms include monopoly (in which there is only one seller of a good), duopoly (in which there are only two sellers of a good), oligopoly (in which there are few sellers of a good), monopolistic competition (in which there are many sellers producing highly differentiated goods), monopsony (in which there is only one buyer of a good), and oligopsony (in which there are few buyers of a good).