

## 5. Markets

A **Market** is all Individuals/companies involved in **buying** or **selling** a good or service

### 4 Questions

#### DEMAND

##### Quantity

Consumers willing to buy at different prices

#### What

Should We Produce?

#### Who

Are we doing it for?

#### How

Will We Make it?

#### Rewards

For the suppliers of the FOPs?

#### SUPPLY

##### Quantity

Producers willing to make available at different prices

### 4 Types of Markets

1

#### Factor Market

Where a Factor of Production (FOP) is bought or sold

**Buyer** = Entrepreneur

**Use** = Production of Goods and Services

**Seller** = Owner of the FOP i.e. we all sell our labour for wages/salary

2

#### Intermediate Market

Where an output is sold as a raw material (i.e. iron) and used as an input to produce another good (i.e. steel)

**Intermediate goods**  
aka 'Producer goods'

3

#### Final Market

Consists of Goods/Services which are complete, provide consumer utility and they are prepared to pay a price

**Final market goods**  
aka 'Consumer goods'

4

#### Foreign Exchange Market

Where currencies are bought/sold for profit. This facilitates international trade between nations with different currencies

**Price** = exchange rate