

## THE MARKET AND MARKETPLACES

### What we mean by 'the market'?

A market is any one of a variety of different systems, institutions, procedures, and infrastructures whereby people trade and goods and services are exchanged, forming part of the economy. It is an arrangement that allows buyers and sellers to exchange things. Markets vary in size, range, geographic scale, location, types and variety of human communities, as well as the types of goods and services traded. In mainstream economics, the concept of a market is any structure that allows buyers and sellers to exchange any type of goods, services or information. The exchange of goods or services for money is a transaction; some markets are based on using barter rather than cash.

Market participants consist of all the buyers and sellers of goods/services/possessions who influence its price. The basic market forces are supply and demand and there are two roles in markets: buyers and sellers. The market facilitates trade and enables the distribution and allocation of resources in a society. Markets allow any tradable item to be evaluated and priced. A market emerges more or less spontaneously or is constructed deliberately by human interaction in order to enable the exchange of rights (ownership) of services and goods.

It could be argued that there is no such thing as 'the market' but that there is in fact only a variety of marketplaces, which are for the most part disconnected. The value of any specific 'market' can always be defined in terms of either quantity/numbers of product and also in financial terms. It is also important that the geographic boundaries are made clear and the figures are normally related to a single year.

- **Most markets are imperfect** - That is to say either buyers or sellers are in a more dominant position, where the market is not open, free or fair. At the extreme, the market is exploitative when it is controlled by parties that either have a monopoly or some other hold over the market. Most coops were born out of the need to intervene in the market on behalf of groups of people who were being exploited.
- **Intelligent Markets** - Where decisions are made not based only upon price but also upon other factors, for example: 'fair trading', 'sustainability', 'health risks' etc. Also, where markets are free, open and accessible to all forms of member-controlled enterprises.
- **Free markets or distorted markets** - We should have no problems with honest traders or with them making reasonable profits. The problems arise when businesses seek to exploit their customers or achieve super profits by dominating the market; distorting free competition and preventing market access to would be competitors. The real problem with many big businesses is that the bulk of their shareholders gain only minimal benefits from the companies that they invest in. Many of them are in fact the holders of investments via their pension funds and insurance policies; the problem is that the lion's share of the benefits is being commandeered by directors and executives.
- **Coops and the Market** - Some people often speak of coops as an alternative to the market, but this cannot be correct, for coops only work properly in a free market. They are an alternative to the investor-driven form of business but not an alternative to the 'market' -, for if there is to be a free market then real choice must exist. The Rochdale Pioneers (a retail co-op established in the UK in 1844) included in their original rules the requirement to sell at 'market prices' — they certainly envisaged operating within the framework of the market. We can all point to failures in the market but the alternative is an even greater inequity, as anyone who has witnessed the results of efforts to dispense with the 'market' in former communist states can tell you.

## **Cooperatives and Mutuals**

Ever since the time when human settlements began to be established people traded goods and services, first by means of bartering and later using currency as cash economies were developed. Marketplaces were established where people could come together to trade with each other. Often such marketplaces were dominated by the rich and powerful or those that were ready to cheat or trade unfairly. Eventually, as the industrial revolution spread, those that were disadvantaged in the marketplace discovered that often the only way get a fair deal was to act together with others who were similarly disadvantaged. Self-help and mutual action led to the formation of many different forms of cooperative and mutual enterprise. Cooperatives were established by consumers that wanted to get unadulterated foodstuffs, honest weights and measures, and fair prices. Cooperatives of agricultural producers sought to get a better deal for their produce and to get farm inputs of good quality at a fair price. Workers wanted to get a fair price for their labour and better working conditions, and people in need of insurance came together to form mutual insurers, and people in need of credit and a fair rate for their savings set up building societies, agricultural banks, credit societies and credit unions. In addition, many more different forms of member-controlled enterprises came into being, all with the intention of getting a better deal in a marketplace for their members.

## **Enter the State - Exit the State**

At the end of the 19th century and throughout the 20th century people in many countries were persuaded that that governmental intervention was the best way to deal with failure in the marketplace. The extent of state intercession varied from the concept of a fully 'Soviet style' planned economy to more specific interventions, including the nationalisation of key industries and services, marketing boards for agricultural products and public trusts - for example the BBC in the UK. Many of these approaches have since been abandoned and now within many countries the current fashion involves the use of governmental regulators. The re-discovery of the member-controlled enterprise model as a solution to the failings of the 'free' market is now taking place but in many countries this is impaired by the fact that the education system has not prepared people, especially the peoples' leaders, for such a renaissance.

## **Free and fair markets**

Some people rail against 'the market' as the source of inequality, while others insist that only a completely 'free' market can provide prosperity. Both points of view are based upon damaging myths that must be refuted. The ability to trade goods and services within free and fair marketplaces is fundamental to a democracy. Attempts to replace marketplaces with bureaucratic systems have failed the world over. What we need are marketplaces that are provided with sufficient oversight to ensure that no player can exploit their position within the marketplace. At the same time we need to ensure that new entrants can always take part within the marketplace and, in particular, citizens are in a position to form their own enterprises when the marketplace fails to serve them fairly. Also, we need to separate the 'real' marketplaces for goods and services from the 'artificial markets' that exist for people to gamble upon the outcome of the movements in price within any given marketplace

## **A question of Scale?**

There exists considerable confusion about the effect of size and scale upon the effectiveness of cooperatives. Clearly small cooperatives are simpler to manage and it is easier to keep members engaged when there are fewer of them. However, the right size for a cooperative depends almost entirely upon the scale of the marketplace in which it needs to operate. For example, if a coop is running a village store that operates within a village that forms a specific marketplace, then it should be able to prosper. On the other hand retailing in general often needs to operate within a national, or at the very least a regional marketplace. Some markets are international, for example the market for processed milk, and in these circumstances the scale of operations may need to be international. The main issue is to design a management structure that is simple and effective and that at the same time can sustain effective member engagement.

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