

Index

- abstract meaning of word 'market' 13
advertising 92–3
Africa, game shooting quotas 122–3
Aggregates Levy 60
American War of Independence, food
 price controls 57
Anderson, Harald, quoted 81
Annan, Kofi, quoted 94
arbitrage 81
asymmetric information 110–11
asymmetric interests, political failure
 due to 112
Athens, *Agora* 17
auctions 101–3
 Dutch 101
 English 101
 online 148–51
 sealed-bid 102
 second-price 102–3
 see also eBay
- bans 55
 effect on market 60–2, 145
barter 16, 19, 46
Bastiat, Frédéric 62
 quoted 130
big business, [supposed] domination by
 134–6
biofuel subsidies, effect on corn (maize)
 prices 60
- black markets 60–2
Block, Walter, quoted 58
booms 106–7
brands
 protection of 91–2
 trust communicated by 90–1
'bubbles' 47, 48, 106, 108, 109
buyers
 competition among 75
 need for competition between 74
 reaction to prices 37, 38–41, 55,
 131
buying 19
- Cabbage Patch Kids dolls 106–7, 149
capital investment, and specialization
 29–31
capitalism 30
carbon trading 116
car purchase, information asymmetry
 in 110
cartels 136–7
cash transactions 93
caveat emptor 89–90
celebrity endorsements 93
centralized economies 137–8
Chang, Kenneth, quoted 108
China
 changes 152–3
 farming system 98, 151–2

- market economy 151–2
- street markets 2–5
- choice 5, 8, 51, 74, 76, 77, 85, 91, 147
- Churchill, Winston, quoted 132
- coalmines, closure of 49
- Coca-Cola brand 91
- coercion 55–6, 72–3
- collective farms in China 98
 - replacement by family responsibility systems 98, 151–2
- collusion 55, 137
- common ownership 98
 - see also* tragedy of the commons
- communist countries (present and former) 126–8, 144–5, 151–2
- competition 8, 71–86, 147
 - and benefits from voluntary exchange 74–6
 - ‘perfect’ 6, 8, 85
 - price-based 74–6
 - quality-based 76–7
 - waste reduced by 75–6, 85
- congestion charging 116–17
- contestable market 84
- convenience, prices affected by 49, 78
- cooperation 6, 22–4
 - international 129–30
- copyright 66, 97
- ‘creative destruction’ 83–4
- culture, market 148
- currency, origins 16–17

- Delors, Jacques, quoted 44
- demand curve 37, 38
- demand and supply, matching 9, 37–9
- democracy, and market economies 137–8
- deregulation of markets 100
- Diana, Princess of Wales, effect of her death on flower prices 34–6
- Diocletian (Roman emperor), price controls 56

- disagreement, collaboration through 6, 22–4
- discovery process, market as 8–9, 41–3, 82–3
- diseconomies of scale 136
- dotcom boom 108
- Drucker, Peter F, quoted 9
- dynamic nature
 - of markets 9, 79, 132
 - of prices 44–5

- Eastern Europe transition to market economies 144–5
- eBay 148–51
 - reasons for success 150–1
 - trust-building features 150
- economies of scale 134
- emissions permits trading system 116
- entrepreneurs 9, 43, 64, 81–3, 100–1, 108
- equilibrium, meaninglessness of term 9, 85
- ‘equilibrium price’ 37–9
- Estonia
 - market economy 127–8
 - in Soviet period 126–7
- European Union
 - carbon trading 116
 - Common Agricultural Policy 59
 - fishing quotas 121
 - import quotas 62
- exchange 12, 19–23, 31, 96, 130
- misunderstanding of 20
- non-voluntary 56, 72
- trust as basis 10–11, 89–90
- voluntary 72–4
- exploitation 133–4
- externalities 11, 114–16

- failure, market 105–23
- farm subsidies 59, 112–13
- fishing quotas 121–2

- fishing rights 120–1
 Florence, monopolies granted 65
 flowers, factors affecting price 34, 36, 79
 ‘force for good’, markets as 11–12
 Ford Edsel car 82
 forecasts, inaccurate, market failure caused by 108
 free rider problem 119
 French revolution, food price controls 57
 Friedman, Milton, quoted 135
 Friedman, Milton and Rose 127
 quoted 69

 game shooting quotas 122–3
 Giffen, Sir Robert 40
 Giffen goods 40
The Good Life (TV comedy) 24–5
 Gorbachev, Mikhail, quoted 141
 gravel (building aggregate), effect of taxes on price 60
 greed, contrasted with self-interest 128–9
 guilds 67
 regulations promoted by 68

 Haas Act 61
 Hammurabi of Babylon, price controls 56
 Havel, Václav, quoted 152
 health insurance, information asymmetry in 110–11
 history
 of markets 16–17
 of price controls 56–7
 Hobson, Thomas 77
 ‘Hobson’s choice’ 77
 honesty 88–9
 hotspots of scarcity 55, 58, 60, 63, 79, 80
 human effort
 exchange of 19, 96–7
 see also labour
 Hungary, bread price subsidy 59–60

 Iceland, tradable fishing quotas 121–2
 imbalances essential to market 6
 imperfect information, prices affected by 79–80
 imperfections of market 6, 47–9
 import quotas 55, 62
 incomplete information 7–8
 inequalities 132
 reduction of 133
 inferior goods 39
 inflation 63
 information 7, 49–50, 101, 146
 about buyers and sellers 93
 asymmetry 110–11
 imperfect 79
 nature of 43–4, 146
 ‘perfect’ 40–1
 prices as information 36, 44–5, 55, 58
 timeliness of 44
 innovation 84
 lack in legal and medical professions 69
 intellectual property, protection of 65–6, 97
 inventors, monopolies granted to 65–6

 Krakow, Poland, marketplace 17

 Laar, Mart 127
 labour, exchange of 19, 96–7
 labour market 12–14
 labour prices, factors affecting 78
 legal profession, British 69–70
 lifeboat service, paying for 119
 lighthouses, paying for 119
 limited liability 100–1

- longevity, as sign of trustworthiness 92
- Mafia 61, 72
- Manhattan 22
- mania in markets 48–9, 106
- market failure 105–23
- market rights (mediaeval markets) 18
- marketplaces 17–18
- Marx, Karl 134
- Maximum, Law of the 57
- meaning of word ‘market’ 13
- mediaeval guilds 67–9
 - legal profession compared to 69–70
 - medical profession compared to 68–9
 - regulations restricting 68
- mediaeval market halls (England) 18
- mediaeval marketplaces 18
- medical profession, American 68–9
- Mexico, corn (maize) prices 60
- mobile communications licences, auction for 3G licences 102
- Moltke, Helmuth Graf von 47
- money
 - origins 16–17
 - paper money 21
 - use in exchange 19, 21
- monopoly 55, 64–5
- monopsony 55, 66
- moral concerns 11, 125–38
- moral superiority of markets 11–12, 137–8
- Moscow
 - All-Russia Exhibition Centre (VDNKh) 140–2
 - Red Square, as marketplace 17
- multinational corporations 135
- mutual benefit 5
- New York
 - rent controls (South Bronx) 58–9
 - taxicabs 61
- niche businesses 135
- Nike shoe factory (Vietnam) 134
- non-market economies 137
- non-price competition 76–7
- non-voluntary exchange 56
- North Sea fishing quotas 121
- occupational licensure 66–70
- oil-producing countries, cartels by 137
- online auctions 148–51
 - reasons for success 150–1
 - see also* eBay
- over-fishing 98, 120–2
- paper money 21
- patents 65–6, 97
- ‘perfect competition’ 6, 8, 85
- ‘perfect information’ 39–41
- pin making, as example of specialization 26–8
- Pitlochry (Scotland), salmon ‘ladder’ 120–1
- political failure 111–13
- politics, conflict caused by 130–1
- pollution, regulation of 113–15
- price(s)
 - buyers’ reaction 37, 38–40, 55, 131
 - dynamic nature of 44–5
 - effect of imperfect information 79–80
 - effect of time and place 34, 41–2
 - ‘equilibrium price’ 37–9
 - as a rate of exchange 35
 - as instant messaging system 36, 44–6
 - reasons for non-uniformity 77–8
 - sellers’ reaction to 37, 38, 55
- price controls 55–9
 - abandonment in Russia 142
 - effect on markets 56–9
 - liberalization in China 152

- price system 35–9, 146
 distortion by subsidies 59–60
 effect of inflation 63
 emergence of 45–6
 interference with 55–60
 in Russia 142
 waste eliminated by 46–7
- professions, regulations restricting entry
 to 66–70
- Prohibition (in USA) 60–1
- property
 exchange of 19–23, 96–7
 security of 10, 97–8
- property rights 10, 99–100, 146–7
 limits 99–100
 violation of 97–8, 103
- public choice theory 113
- public sector services 131
- quality, competition based on 76–7
- quotas 55, 62, 121–2
- rationing, effect on markets 61–2
- regulation
 compared with market
 approach 115–16
 culture as a market regulator 95
 emissions 114–15
 monopolies 64–5
 occupational licensure 66–70
 of property rents 58–9, 100
 of taxicab numbers 61, 100
- rent controls 58–9, 100
- reputation 90
- Rome, *Forum* 17
- Royal National Lifeboat Institution
 (RNLI) 119
- rules of the market 10–11, 87–103
 choice of rules 100–1
 setting and enforcing 94–5,
 147–8
 unwritten rules 95–6
- Russia
 abandonment of price controls 142
 markets in 142–3, 145
 privatization of state industries 143
see also Moscow
- Schuettinger, Robert L 56
- Schumpeter, Joseph 83
- Scotland, salmon fishing rights 120–1
- search costs 7, 49–50
 reaction if too high 50–1
- self-interest
 and greed 128–9
 harnessing 127–8
- sellers
 need for competition 74–5
 reaction to prices 37, 38, 55
- selling 19
- service, competition on basis of 76–7
- service sector, growth of 136
- Shakespeare, William, quoted 90
- Smith, Adam 26–7
 on price fixing 66–7
 on specialization 25–6, 27–8
- social harmony, influence of markets on
 129–30
- social pressures on market
 behaviour 90, 94, 95–6, 99
- solidity of trustworthy firms 92
- Soros, George 106
 quoted 109
- specialization 6, 24–6, 145–6
 and capital investment 29–30
 productivity due to 26–8
 reasons for productivity 28–9
 spiralling success 30–1
- speculators 80–1
- spillover effects (externalities) 11,
 114–16
- state
 as enforcer of market rules 94–5
 role in 1980s' Britain 143–4

- state industries, privatization of 143–4
- state monopolies 64–5, 143
- Strand cigarettes 82
- street markets 2–5, 41, 76–7
- subsidies 59–60, 112
- successful market, requirements
 - for 145–8
- supply curve 37, 38
- supply and demand, matching 9, 37–9
- swapping 19, 22

- taxes, perverse effects 60, 133
- taxis, regulation of 61, 100
- Thatcher, Margaret 49, 143
 - quoted 62
- tradable emissions permits 116
- tradable fishing quotas 121–2
- tradable fishing rights 120–1
- tradable water rights 118
- trade restrictions 55
- traffic congestion 116–17
- trafficking 133
- tragedy of the commons 98, 120
- transaction costs 7, 50
- transport costs 78
- 'triangular trade' 21
- trust 8, 10–11, 88–90, 148
 - and brands 90–2
 - exchange based on 10–11, 89–90, 148
- tulip mania 48

- unfairness 131–2
- USA
 - biofuel subsidies 60
 - emissions trading system 116
 - farm subsidies 112–13
 - food price controls 57
 - medical profession 68–9
 - Prohibition 60–1
 - rent controls 58–9
 - water rights 117–18
 - welfare legislation 113

- value, subjective nature of 22–3
- VDNKh 140–2
- Venice, monopolies granted 65
- Vietnam, Nike shoe factory 134
- violence, transactions based on 55–6, 72–3
- voluntary exchange 72–4, 145
 - benefits from 73, 74

- wage controls 55
- Wang, An, quoted 42
- wartime rationing, effect on
 - markets 61–2
- waste
 - effect of competition 75–6, 85
 - elimination by price system 46–7
- water metering 118
- water rights 117–18
- worth *see* value