Differentiating between market structures

Finance, Market

Public goods are goods from which the whole community can take benefit without the need of purchasing them. Private goods on contrast are ones from which the public can only take benefit by purchasing them. And it holds no external benefit for others. Public goods are more to do with government actions, while markets can efficiently allocate private goods. Ten loaves of bread can be divided in many ways but others cannot take benefit of the loaf I eat. I pay for it and thus only I can benefit from it as it's a private good.

On the other hand national defense once provided, affects everyone equally. Nothing would change the amount of national security being provided. It's the same for all (Blurt it, 2009). Common resources are goods that are rival but not excludable. This means that the fishes in the ocean for example are rivalries because when a person catches the fish, there are fewer fish for the next person to catch whereas they aren't excludable because it is difficult to stop people from fishing. Public goods and common resources are both available to all.

Natural monopoly exists as a result of high fixed costs operating in an industry. It's a situation where for technical reasons there cannot be more than one provider of a good. Public utilities are usually considered to be natural monopolies. Basically, private goods are those that are excludable and rival both. Public goods are which are neither excludable nor rival. Common resources are rival but not excludable and lastly the natural monopolies consist of goods that are excludable but not rival.

The demand and supply of labor are determined in labor market. The participants in the labor market are workers. Workers supply labor to firm in

exchange for wages. Firms demand labor from workers in exchange for wages. The labor demand is the amount of labor a firm is willing to employ at a given point in time. This type of demand may not necessarily be in long-run equilibrium and is determined by the real wage, this labor is paid willingly by the firms and the amount of labor the workers are willing to supply at that wage.

The labor supply in a market is the number of workforce available or the human resources in a particular labor market. The supply of labor is the number of hours the workers work at a given real wage rate. An increased wage rate increases the number of income earned and increase the opportunity costs (Cliff Notes, n. d.). Supply and demand curves shift and intersect. Where they meet is current labor equilibrium. The labor equilibrium is where the demand for labor and the supply of labor are equal. Labor demand curve shifts with changes in booms, recessions, and productivity etc.

Supply curve shifts with things such as increase in working population, decrease in non-work benefit etc. An increase in labor demand results in an increase in both the equilibrium wage and the equilibrium level of employment. A reduction in it results in a decrease in both the equilibrium wage and the equilibrium level of employment. An increase in labor supply whereas results in a lower equilibrium wage, but an increased equilibrium level of employment. Conversely, a reduction in labor supply results in a higher equilibrium wage but a lower equilibrium level of employment.