

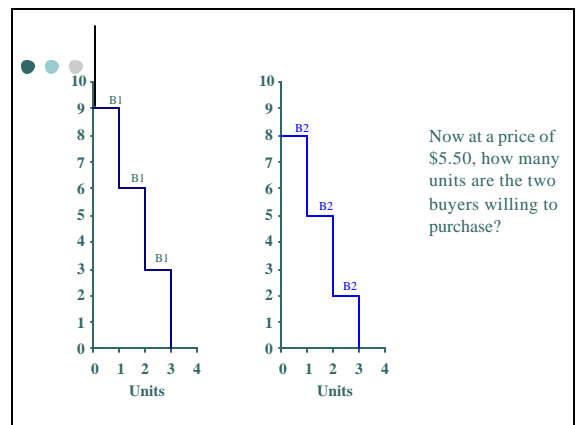
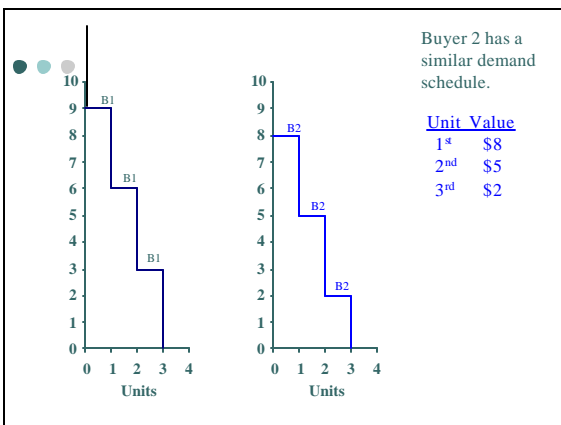
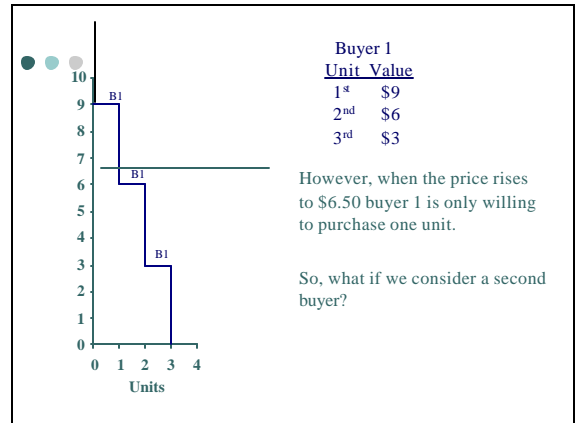
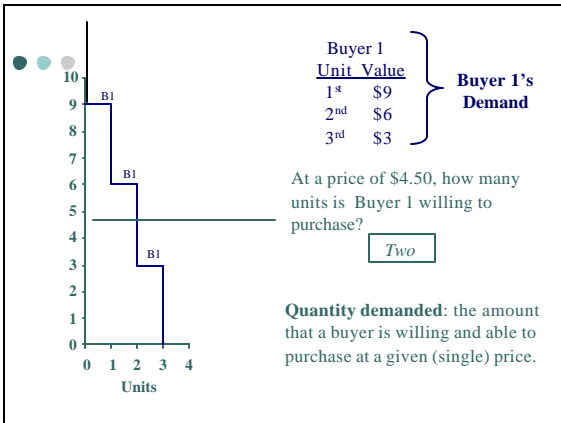
# Market Processes: The Basics

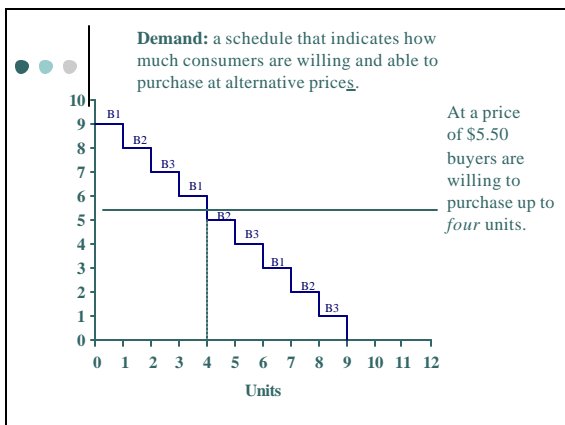
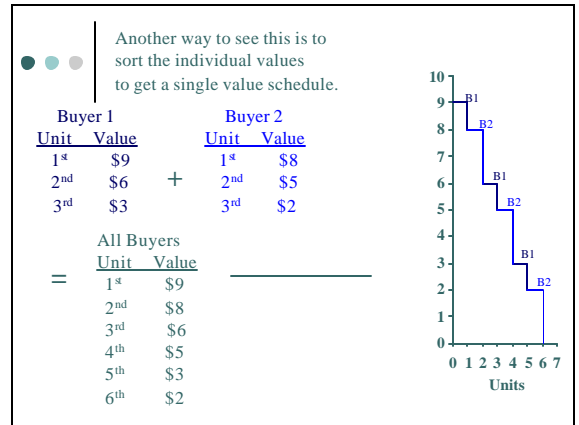
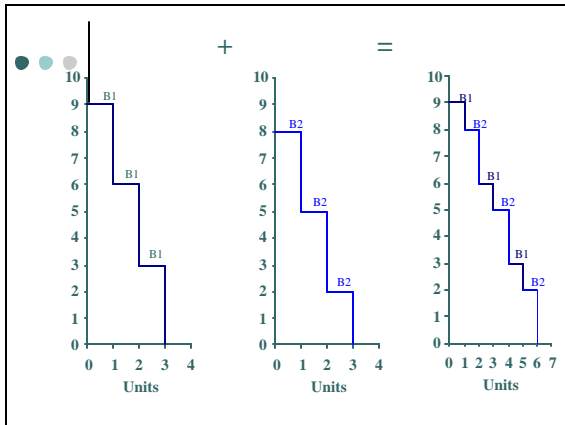
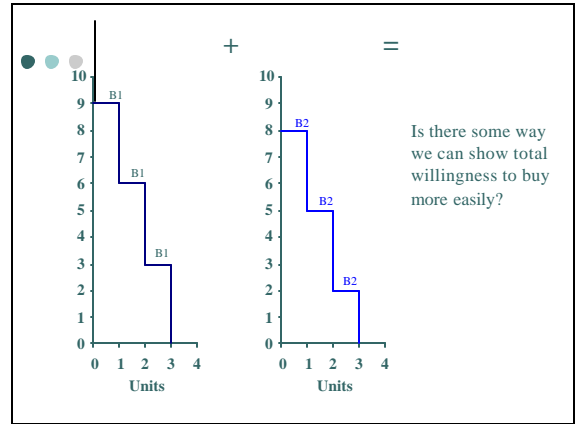
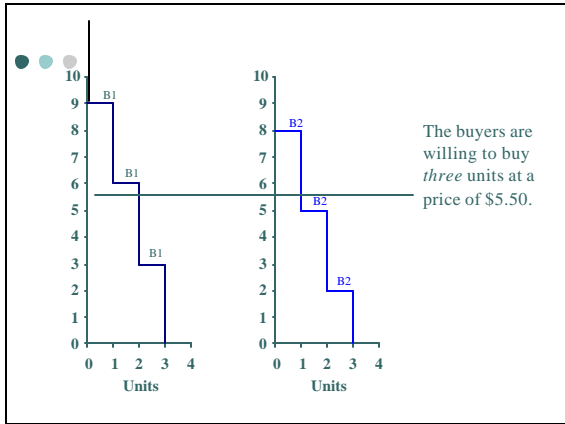
Lynne Kiesling  
Northwestern University & IFREE  
PNNL Study Session  
August 2004

What is *demand*?

To answer that question, let's start with,  
"What is *my* demand?"

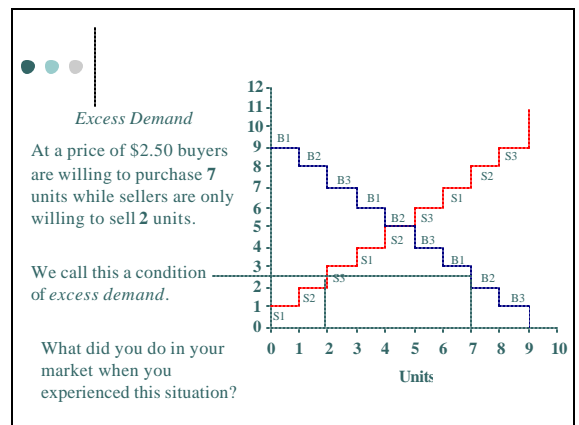
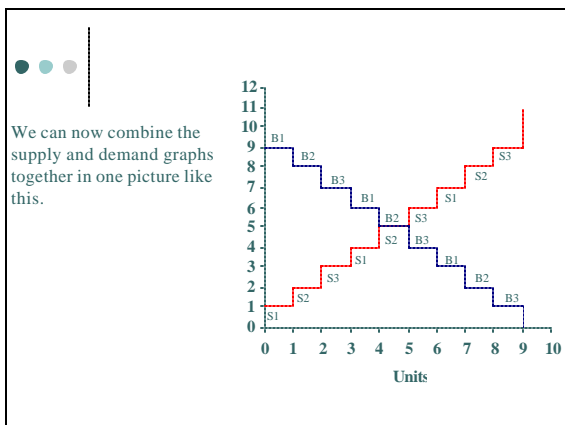
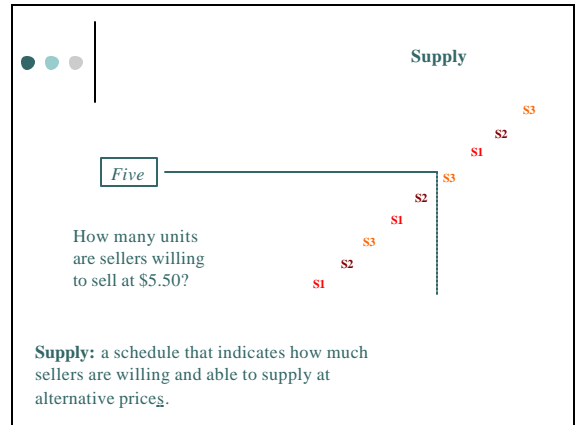
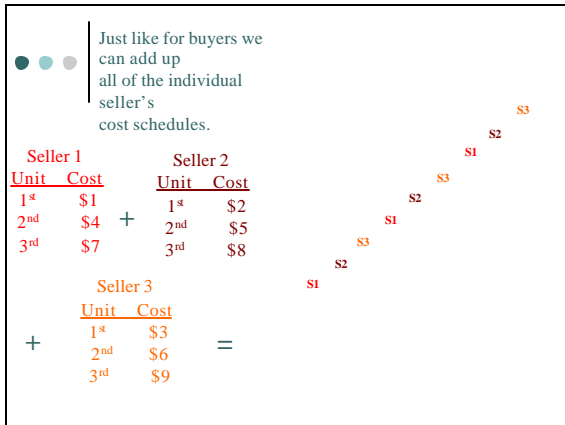
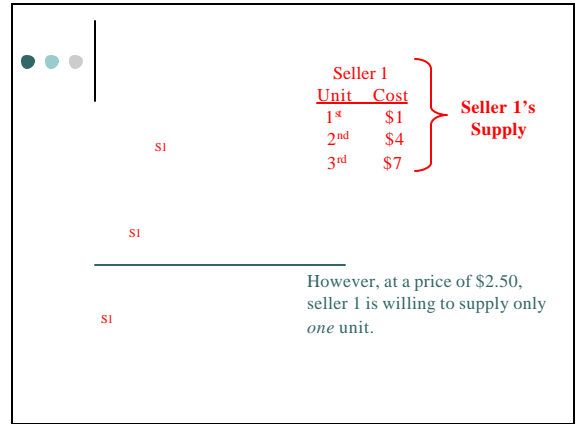
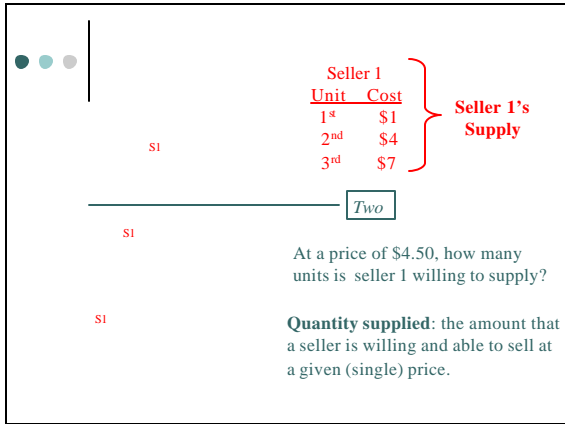
And then we'll build up to a market's *demand*.

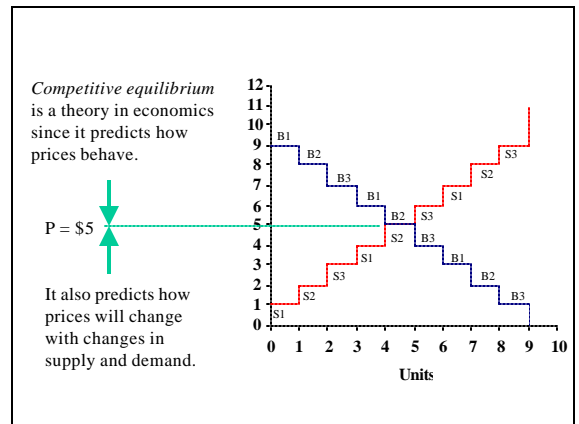
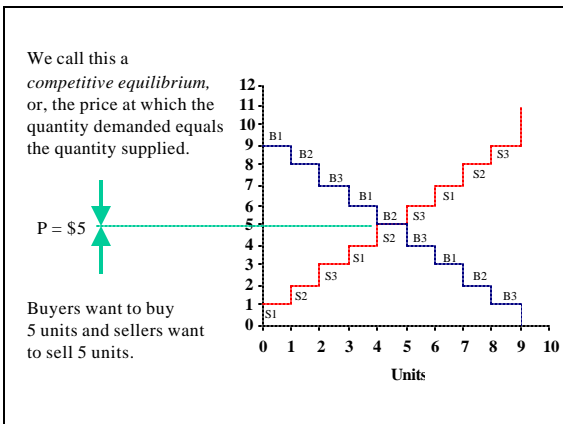
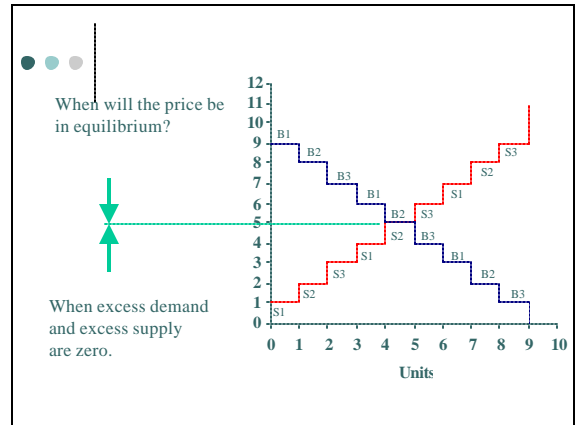
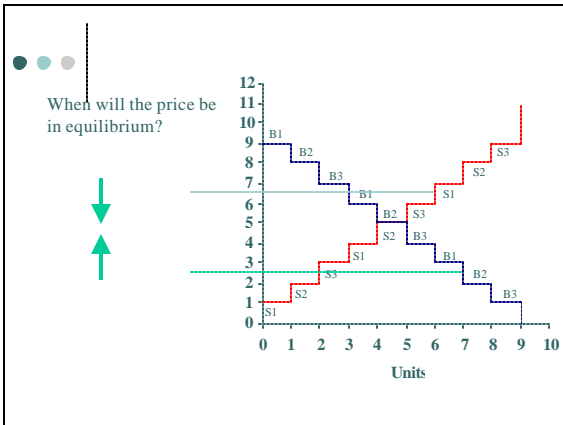
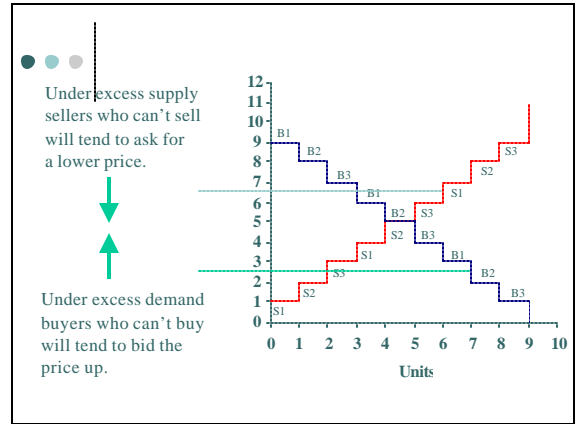
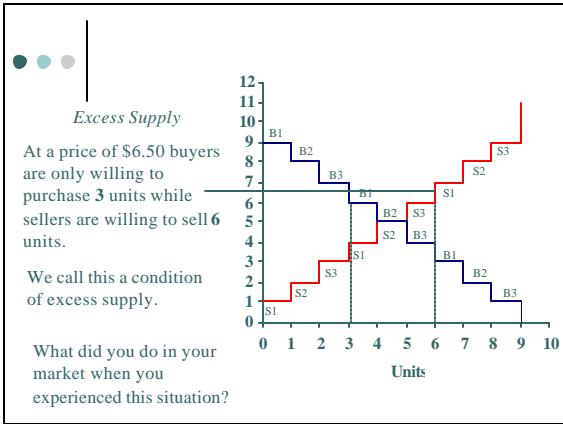


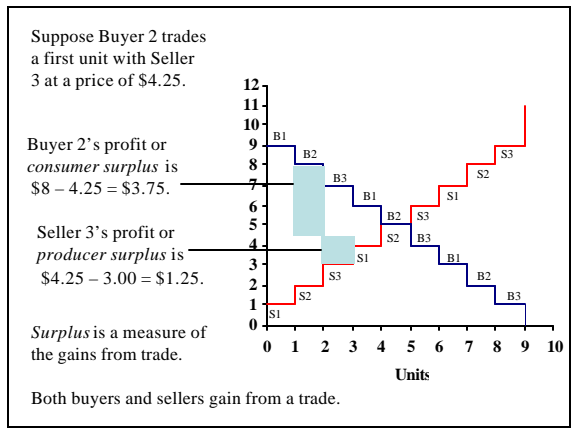
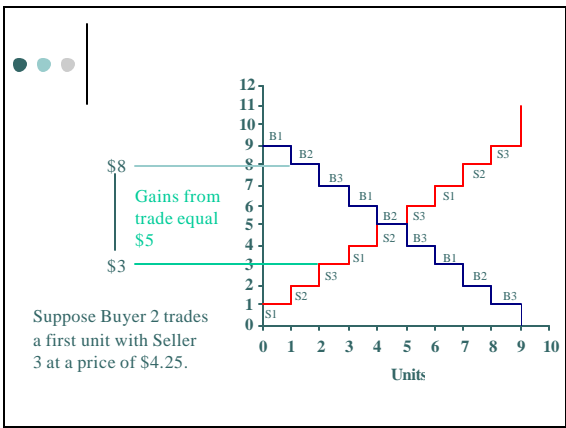
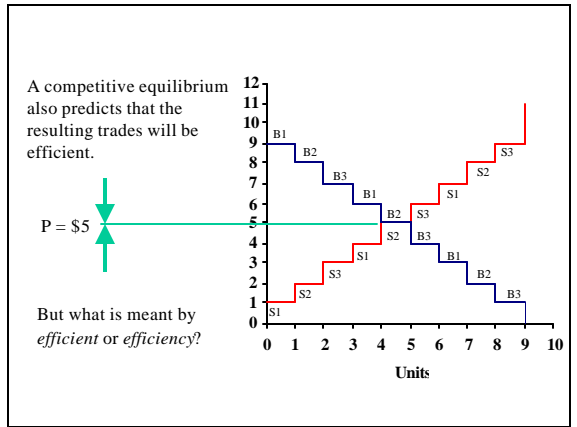
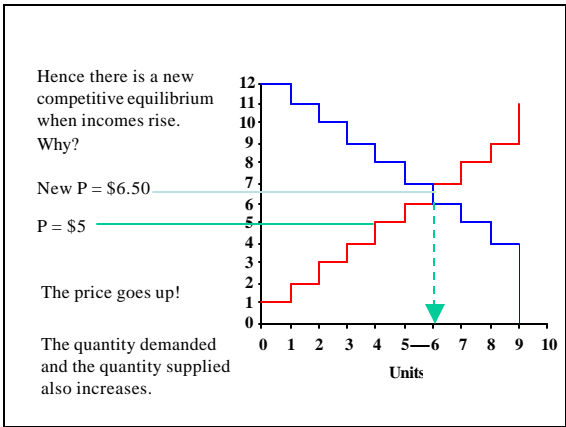
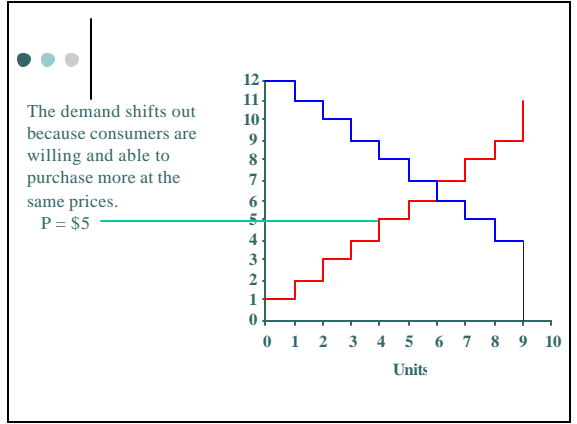
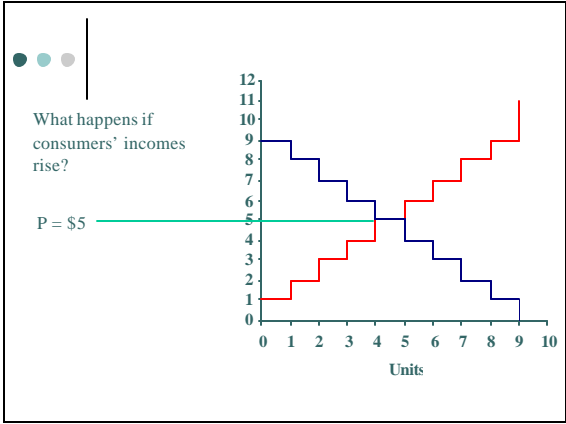


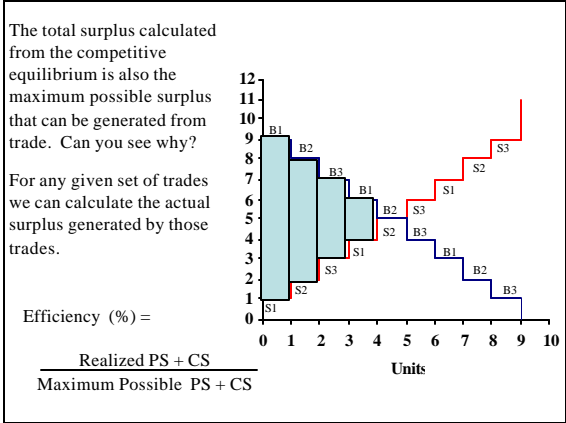
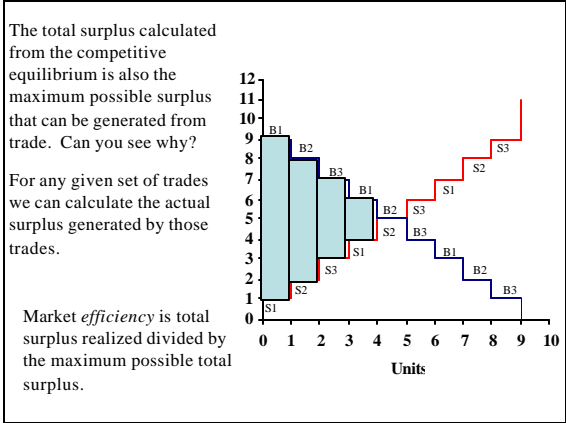
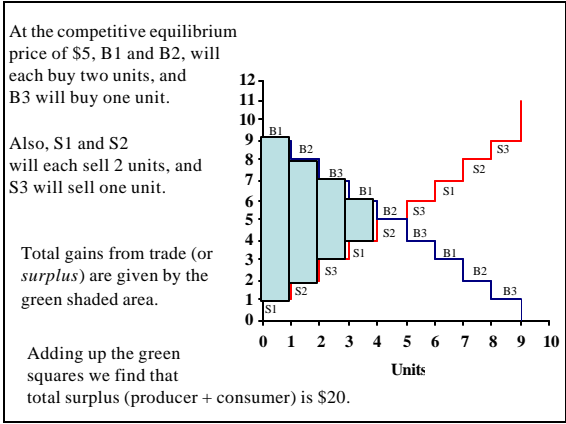
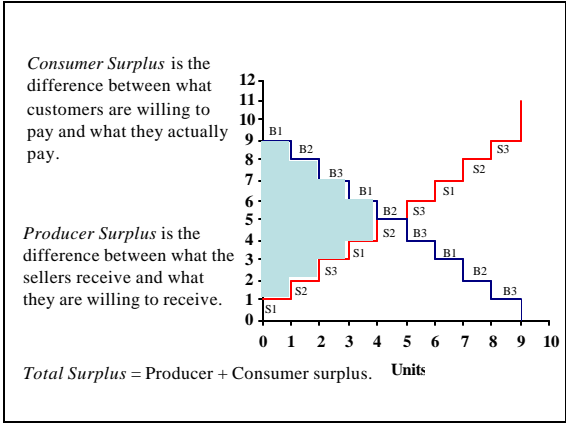
What is *supply*?

Again, let's start with one seller and build up to a market's *supply*.









OK...So What Happened in Our Market?

- ### The Oral Double Auction
- Individuals choose purposefully.
    - Interacting non-cooperatively and impersonally, a market of individuals simultaneously maximizes:
      - An individual's return intentionally and
      - The aggregate social gains from exchange unintentionally.
  - "The most significant fact about this (price) system is the economy of knowledge with which it operates, or how little the individual participants need to know in order to be able to take the right action" (Hayek, 1945).

