



If the market is free

and

If the market is perfectly competitive

then

Market forces will result in the **best** price

**M**

a





**K**

















S

a





**b**



S











e









**m**



n

e



**p**







C

e

**S**



**W**

a

9

e



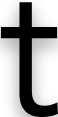
**S**





e

n



**S**

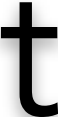
**a**



o



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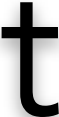
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e

**S**





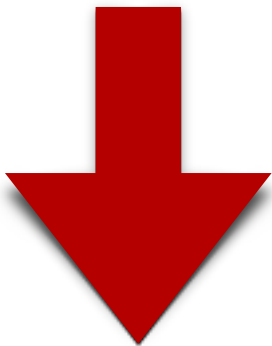



a



e

**S**





What are “Market Forces” and how do these choose the best prices?



Market Forces are best to determine:  
prices, wages, rents and interest rates

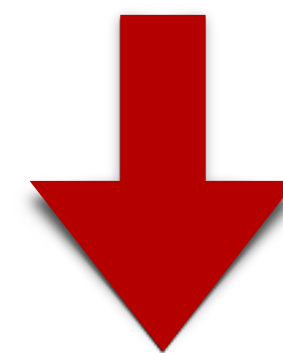
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# Market Forces: The Supply and Demand Model

Price



Quantity