

Buyer/Seller Exchanges Relationship

An exchange between a buyer and a seller is the foundation of business activity. There are many possible ways in which this exchange can take place. For example, consider a new professor and partner arriving in a college town to find a place to live.

- During the house hunting trip, they walk into the local sandwich shop, see \$3.75 as the posted price for a beef burrito and decide to buy two.
- Finding a nice home, they begin to negotiate with the buyer to receive a discount off the listed price.
- Having purchased the home, they go to an estate auction to bid on needed furniture.
- Needing to move some personal belongings to the new home, they contact several movers requesting prices from each.
- Needing to provide a down payment for the home, they instruct their broker to sell their 1000 shares of General Electric on the New York Stock Exchange.

The couple in this story engaged in an exchange through five different “market mechanisms.” In a previous note and article, written with Y.M. Moon, I developed a figure to categorize these different mechanisms. That figure, shown in **figure 1**, shows the market mechanisms to be of three fundamentally different types.

