

New glossary entry: markets

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Markets are systems in which goods, services, labour, and financial assets are exchanged under rules that determine prices and terms of trade. They are not natural phenomena. They are created and governed by law, regulation, custom, and power.

First, markets are institutions:

- * Property rights define what can be sold.
- * Company law defines who can trade.
- * Contract law enforces agreements.
- * Competition law sets limits on monopoly.
- * Accounting rules define profit.
- * Tax law shapes incentives.

Without these structures, there are no markets at all. The idea of a “free market” independent of the state is a myth.

Second, markets allocate, but they do not decide fairness. Prices reflect bargaining power as much as productivity. A worker without a union, a tenant facing a landlord monopoly, or a small supplier dealing with a dominant retailer will receive terms shaped by power, not abstract efficiency. Distribution is therefore political, not automatic.

Third, markets often fail. Externalities such as pollution, public goods such as infrastructure, information asymmetry in finance, and monopoly power in technology all distort outcomes. Left alone, markets can produce inequality, instability, and environmental harm. Regulation is not interference with markets; it is what makes them workable.

Fourth, markets interact with the wider macroeconomy. Demand depends on income,

which depends on public spending, private investment, and the existence of social security to support those in need who could not otherwise spend. When governments pursue austerity or an obsession with balanced budgets, markets shrink because customers disappear. Microeconomic exchange cannot thrive without macroeconomic stability.

Fifth, markets must serve a purpose. An economy exists to provide care, security, and sustainability. Markets are tools to help organise production and exchange, but they cannot replace democratic decision-making about health care, education, housing, environmental protection, or social security. When finance dominates markets, they cease to serve society.

Finally, markets are shaped by values. Choices about tax policy, labour law, environmental standards, and corporate governance determine whether markets reward innovation and contribution or rent extraction and pleonexia. As I often argue on *Funding the Future*, reclaiming markets for the public good requires transparency, fair taxation, and democratic oversight.

Markets are therefore neither saints nor villains. They are mechanisms designed by society to serve society. If we design them well, they help allocate resources efficiently and fairly. If we abandon them to power and myth, they become instruments of inequality and instability.

See also [free markets](#).