Consumer Reports magazine and CNET, which produce extensive independent rating information on the quality and efficacy of a variety of products and services.

Retail chains also perform several valuable intermediary functions. They analyze consumer preferences; screen producers that seek to meet these preferences based on attributes such as quality, price, and delivery; stock and display goods so that consumers can see and evaluate them; advise consumers who visit the stores about product attributes; and allow consumers to return goods if they are dissatisfied.

Contracts between manufacturers and retailers, retailers and credit card issuers, card issuers and consumers, and manufacturers and consumers all play a critical role in ensuring that each performs its part of the obligation. Credit card issuers facilitate transactions by providing credit verification, financing, and collection of cash. Courts and consumer groups ensure that these contracts are enforced and that defaulters are penalized. If a manufacturer produces a low-quality product that fails to work as promised, for example, consumers have the right to return the product and recover their outlay. Similarly, if the consumer fails to pay the credit card company, the card company has recourse to collect the payment. Logistics suppliers such as delivery services meet the needs of transporting purchased goods from seller to buyer. Packaging contractors, shipping companies, and insurance agencies provide valuable services between seller and buyer to facilitate safe, timely, and guaranteed movement of products.

All the parties in the consumer product market are subject to a set of clearly laid-out regulations. For example, companies are prohibited from misleading potential customers through false advertising or promotion. Similarly, credit card companies are prohibited from sharing consumer information that violates customers' privacy. Retailers are required to offer well-defined return policies. Logistics providers must be accredited and are held accountable by both transacting parties to deliver products on time and intact. All sales are accompanied by a certain implied warranty by the manufacturer that the consumer is entitled to expect. Manufacturers are prohibited from taking certain actions, such as resale price

maintenance, which can reduce retail competition. Consumers can sue companies for selling goods that cause damage or injury.

All these mechanisms in a developed consumer products market rely on a comprehensive network of soft and hard infrastructure. *Soft infrastructure* includes advertising agencies and media outlets that facilitate corporate communication, market research companies and logistics consultants that assist retailers, and credit rating agencies that collect consumer credit information to assist credit card companies. *Hard infrastructure*, such as roads and bridges, is also essential for low-cost movement of goods from producers to retailers. Public institutions such as national, state, and local governments that promulgate rules, consumer unions that lobby for such rules, and courts that enforce these rules, all play an important role.

Capital Markets

Similarly complicated sets of mechanisms underpin the functioning of capital markets in well-developed economies. Financial reporting facilitates investor communication. Accounting standards and independent auditors enhance the credibility of financial reports. Information intermediaries such as analysts, rating agencies, and the financial press provide analysis. Financial intermediaries such as venture capitalists, commercial banks, insurance companies, and mutual funds help investors channel their funds to attractive investment opportunities and facilitate access to capital for entrepreneurs and established companies. Stock exchanges create liquidity by enabling investors to trade with each other at a low cost.

These markets are strictly regulated. The central bank, securities regulators, and stock exchanges enforce these rules. Courts act as arbiters of disputes between various parties. In developed markets, investors can hold corporate managers and directors accountable through the threat of securities litigation, proxy fights, and hostile takeovers. By reducing risks to investors, these institutions make it possible for new enterprises to raise capital on approximately equal terms as big, established companies.