Definitions. Task 1.

1. Market power
2. Barriers to entry
3. Monopoly
4. Substitute
5. price descrimination
6. oligopoly
7. Monopoly competition
8. price leadership

Task 2.

1. Why is the demand curve horizontal for a firm in a perfectly competitive market?

The demand curve is horizontal for each firm in a perfectly competitive market because the prices are determined by the market forces of demand and supply. So, the firms are price takers. If a firm tries to change more than the prevailing market price, consumers will not be willing to buy from that firm.

2. How can price descrimination be fair.

Some people argue that certain types of price discrimination can lead to greater efficiency and increased output e.g If a company can charge a lower price to price sensitive customers, they can expand their market and sell more units than if they used a uniform pricing strategy. This leads to greater production, potentially benefiting consumers.

3. What is the difference between perfect competition & Imperfect Competition

Perfect competition is a market structure characterized by many buyers and sellers, homogenous products, perfect information and ease of entry and exit, while imperfect competition includes market structures with fewer sellers, differentiated products, barriers to entry and varying degrees of market power.