

Topic 27.11.2025

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THURSDAY الخميس

٢٦ ربيع الأول ١٤٣٤ هـ 26 Rabia I 1434H

- 1- Why is demand curve horizontal for a firm in a perfectly competitive market?
- The ~~dem~~ demand curve for an individual firm in a perfectly competitive market is perfectly elastic (horizontal) because the firm is a price taker
- 2- How can price discrimination be fair?
- Price discrimination is considered fair when it increases overall access to a product by allowing low-income groups to afford it, or when the price difference is justified by a seller's cost saving
- 3- What is the difference between perfect competition and imperfect competition?
- Perfect competition involves many firms selling identical products ~~with~~ with no market power. Imperfect competition involves fewer firms or differentiated products, giving them some market power
- 4- What are the primary sources of product differentiation?
- Product differentiation involves making a good distinct through unique features/quality (Product-based), offering superior service/distribution (Service-based), or creating a powerful brand image (perceptual-based)

5- What are the gains from collusion?

- Collusion is an agreement, often secret between competing firms to limit competition. It is typical in an oligopoly market structure.

6- What are barriers to entry?

- Barriers to entry are the obstacles that make it difficult for ~~an~~ new firm to enter an industry allowing existing firms to protect their profits and market power.

7- How can firms try to deter entry?

- Firms deter entry by using strategies like limit pricing (making the market look unprofitable), investing in excess capacity (to threaten a price war), and aggressively building brand loyalty to raise the costs for new competitors.