Separately Case 226

1. why is demand curve horizontal for a firm in a perfectly competitive market?
in perfect competition, each firm is a price taker.
It faces a horizontal (perfectly elastic) demand curve at the market price because the firm is so small relative to the market that it can sell all wants at that price, but nothing at a higher price (buyers would do elsewhere).

2. How can price discrimination be fair?
Price discrimination can be seen as fair if it increases access for disadvantaged groups (e.g., student or senior discounts) or allows a firm to serve markets that would otherwise go unserved. It can improve efficiency and potentially benefit consumers overall, though fairness depends on context and implementation.

3. what is difference between perfect competition and imperfect competition?
. Perfect competition: Many firms, identical products, no barriers to entry, firms are price takers.
. imperfect competition: Fewer firms, differentiated or unique products, some barriers to entry, firms have some price-setting power (monopoly, oligopoly, monopolistic competition).

4. what are the primary sources of product differentiation?
. Physical differences in quality of features
. Bland image and advertising
. Location/convenience
. sevice level of customer support
. subjective perceptions (style, reputation).

5. what are the gains from collusion?
Collusion allows firms to act like a monopoly by restricting output and raising prices, leading to higer joint profits. firms can avoid price wars and reduce uncertainty.
6. what are barriers to entry?
Barrers to entry are obstacles that prevent new competitors from entering a market easily. Example include;
.High startut costs
Economies of scale
.Legal protections (patents, licenses)
.control of essential resources
.strong brand loyalty
7. How can firms try to deter entry?
.Limit pricing: set prices low enough to make entry unattractive
.Excess capacity: show ability to food the market if entry occurs
.Predatory pricing: temporarily lower prices to drive out new entrants
.Long-term contracts: lock in customers or suppliers
.Advertising and branding: build strong loyalty to discourage switching