ширини текаНманех Аллухоссейн 429

individual plan

1) why is the demand curve horizontal for a prefectly competitive firm?

Key point : the firm is a price Taker
reason : it is so small relative to the entire market that it's output decisions cannot affect the market price
result: it faces a perfectly elastic demand
it can sell any quantity at the prevailing market price.

2) How can price discrimination be fair?
Key point: it can be fair based on equity & access
main reason : it allows for discounts to valnerable groups (students Low-income)
Benefit: can make essential goods /services affordable & increase overall access which is seen as socially fair.

3) what is the Different between perfect competition & imperfect competition?

* perfect competition: many small firms Homogenous (identical) products, NO market power (pricetaker), No Barrier to entry /exit
example: Agricultural markets
* imperfect competition: one or few firms or many with power, Differentiated or unique products Has market power (price maker) significant Barriers to entry example: monopoly oligopoly monopolistic competition

4) primary sources of product differentiation?
* physical Attributes: Quality, design, features
* Location & convenience: Ease of access
* services: customer support, warranties, delivery
* Brand image & perception: advertising, reputation status.
* subjective preferences: taste, style, personal Loyalty.

5) Gains from collusion?

* main Gain: Higher joint profits (close to monopoly Level)
* method: By agreeing to restrict output & raise prices
* other Benefits: reduced uncertainty, avoidance of price wars & more stable profits for all colluding firms

6) Barrier to entry:

* Difination: are obstacles that make it difficult or impossible for new firms to enter a market & compete with existing firms.
example: High startup costs/sunk costs Economies of scale - Legal Barriers (patents, Licenses) - control of Essential resource strong Brand Loyality

7) How firms deter entry?

* strategy : strategic entry deterrence
common tactice:
* Limit pricing : keeping prices artificially Low
* Excess capacity: threatening a price war by holding spare capacity
* product proliferation: filling all market niches
* Long-Term contracts: Locking in customers /suppliers
* Heavy Advertising : Bulding strong brand Loyalty to increase entry costs for rivals