Джамали Резван 429 (individual plan)

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

Key point: The firm is a price taker.
Reason: It is so small relative to the entire market that its 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 vulnerable 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, Homogeneous (identical) products, No market power (price taker), 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.

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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:

* Definition: 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 loyalty

7) How firms deter entry?

* Strategy: Strategic entry deterrence
common Tactics:
* 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: Buiding strong brand loyalty to increase entry costs for rivals.