

Markets and Competition

- A **market** is a group of buyers and sellers of a particular product.
- A **competitive market** is one with many buyers and sellers, each has a negligible effect on price.
- In a **perfectly competitive** market:
 - All goods exactly the same
 - Buyers & sellers so numerous that no one can affect market price – each is a “**price taker**”
- In this chapter, we assume markets are perfectly competitive.