



A single firm does not face the Market Demand

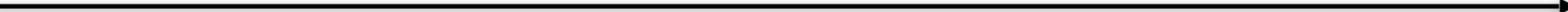






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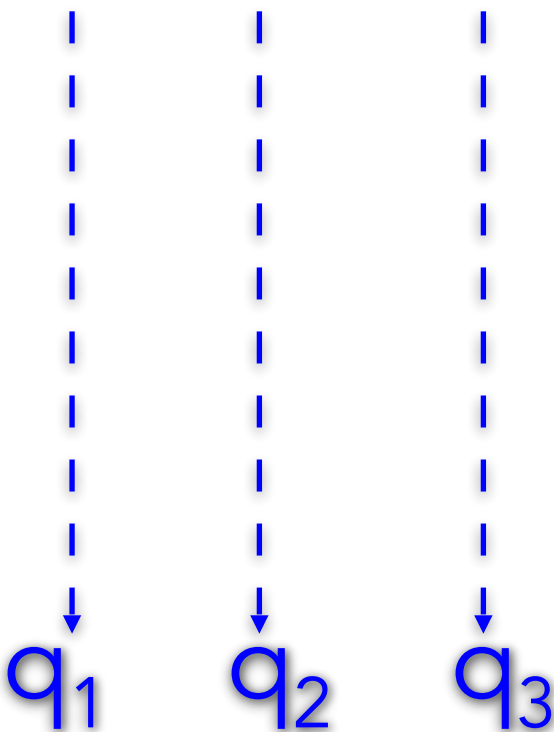


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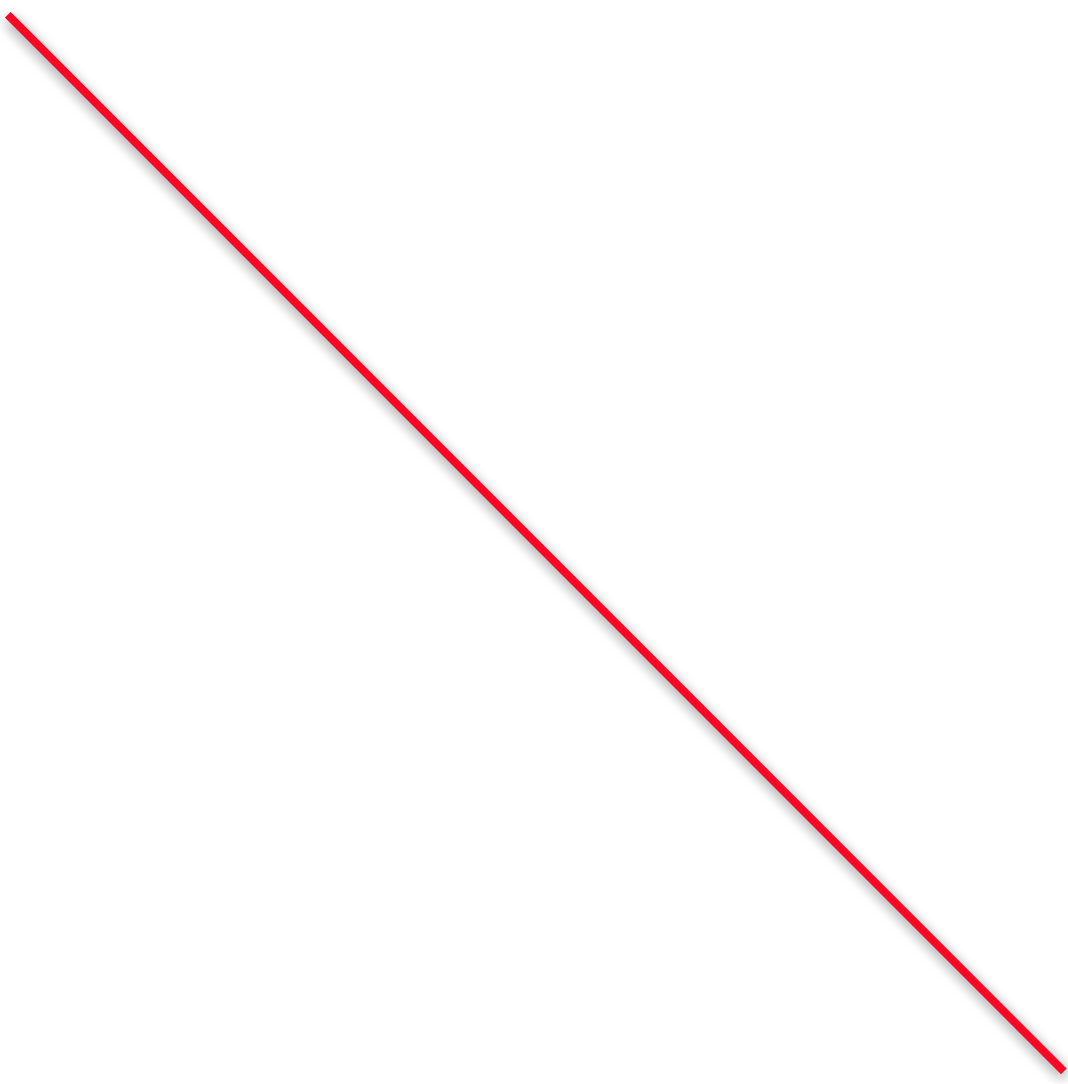
Price is determined by buyers
and sellers in the market

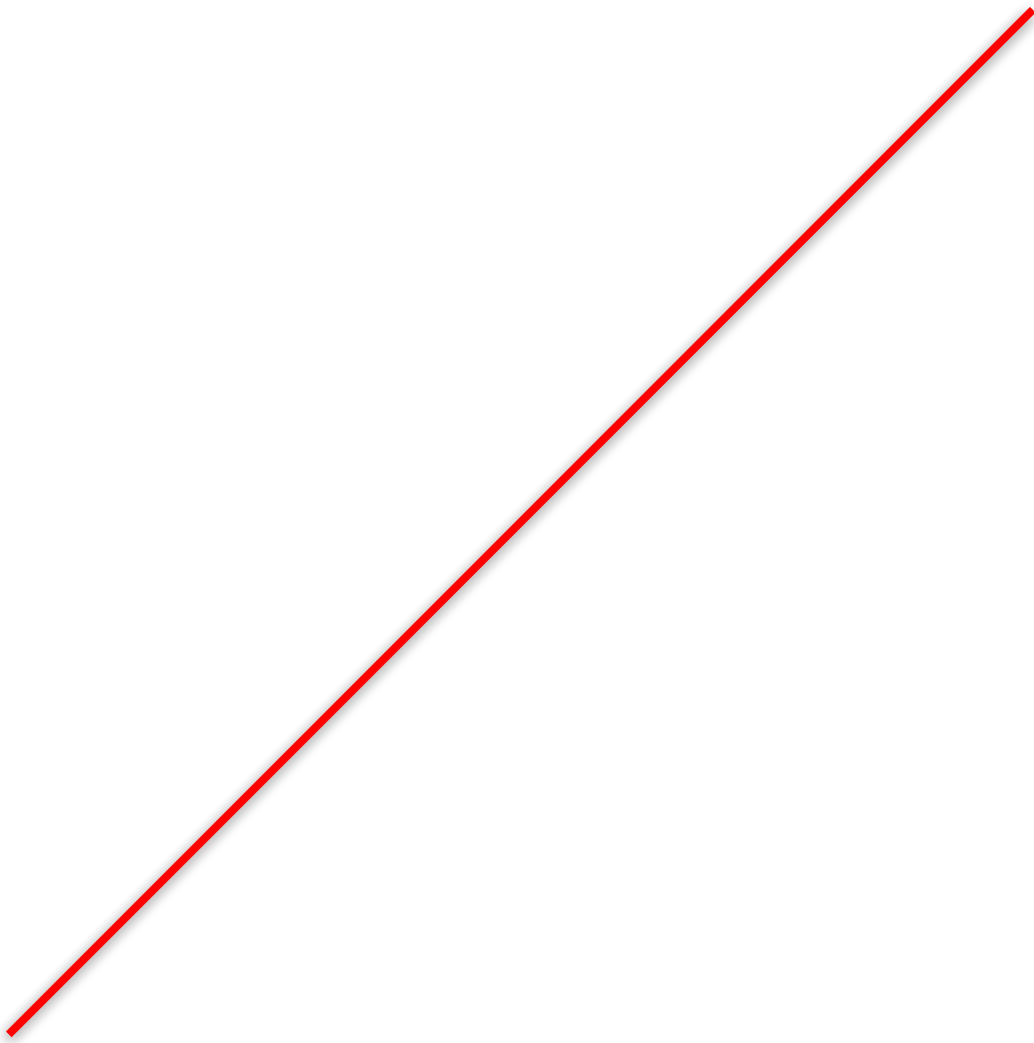
Each firm decide how many units
to produce **given** the market price



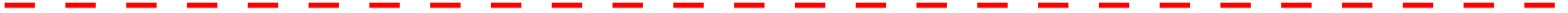
PC Firms do not choose price

Market Demand





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All Firms as a group face Market Demand

All Firms as
Group

Each firm produces only a tiny
fraction (q) of the total (Q_e)



d





PC Firms are price takers

A







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But a *perfectly elastic demand*
at the market price



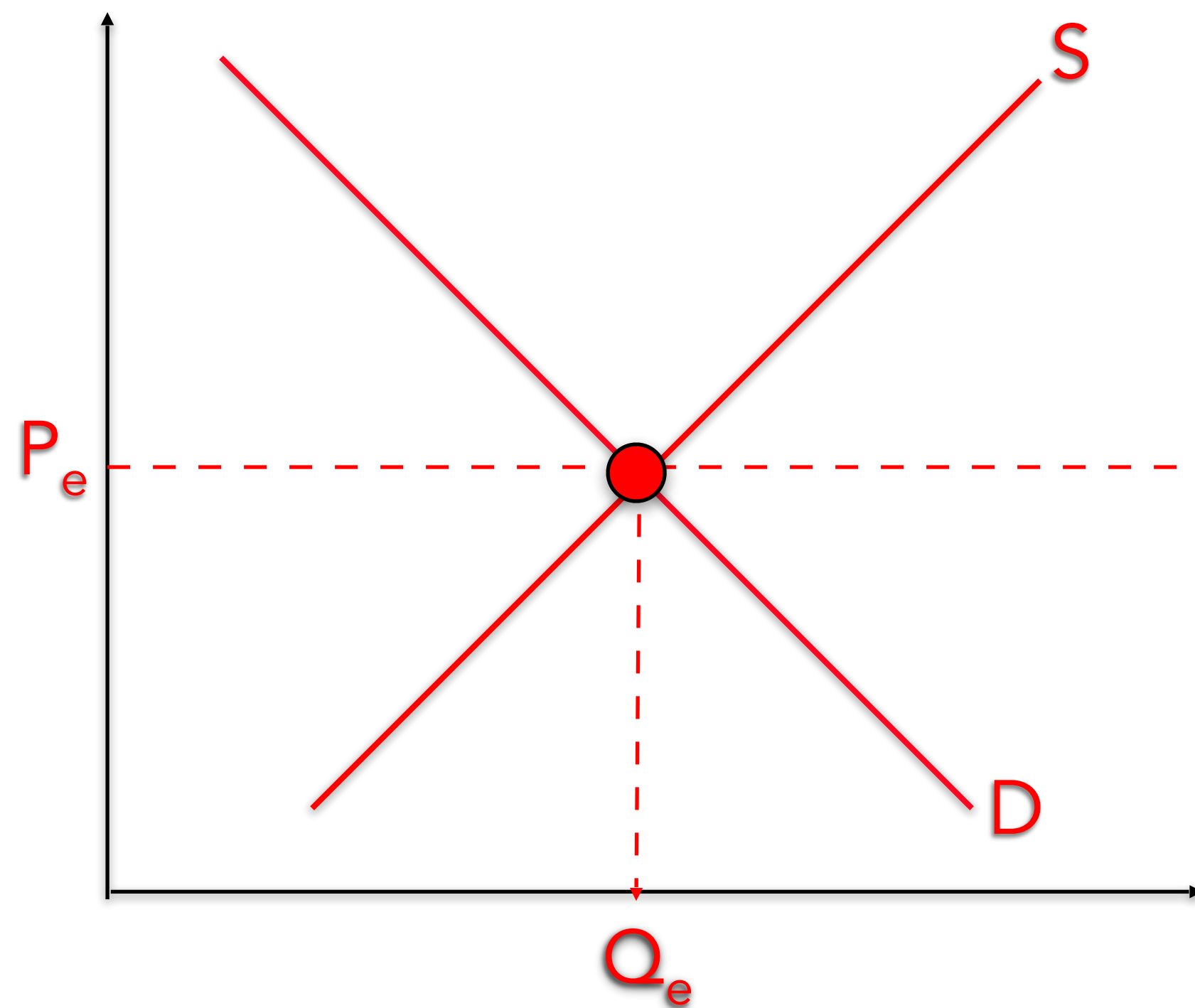
\downarrow
 Q_e

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 q_0

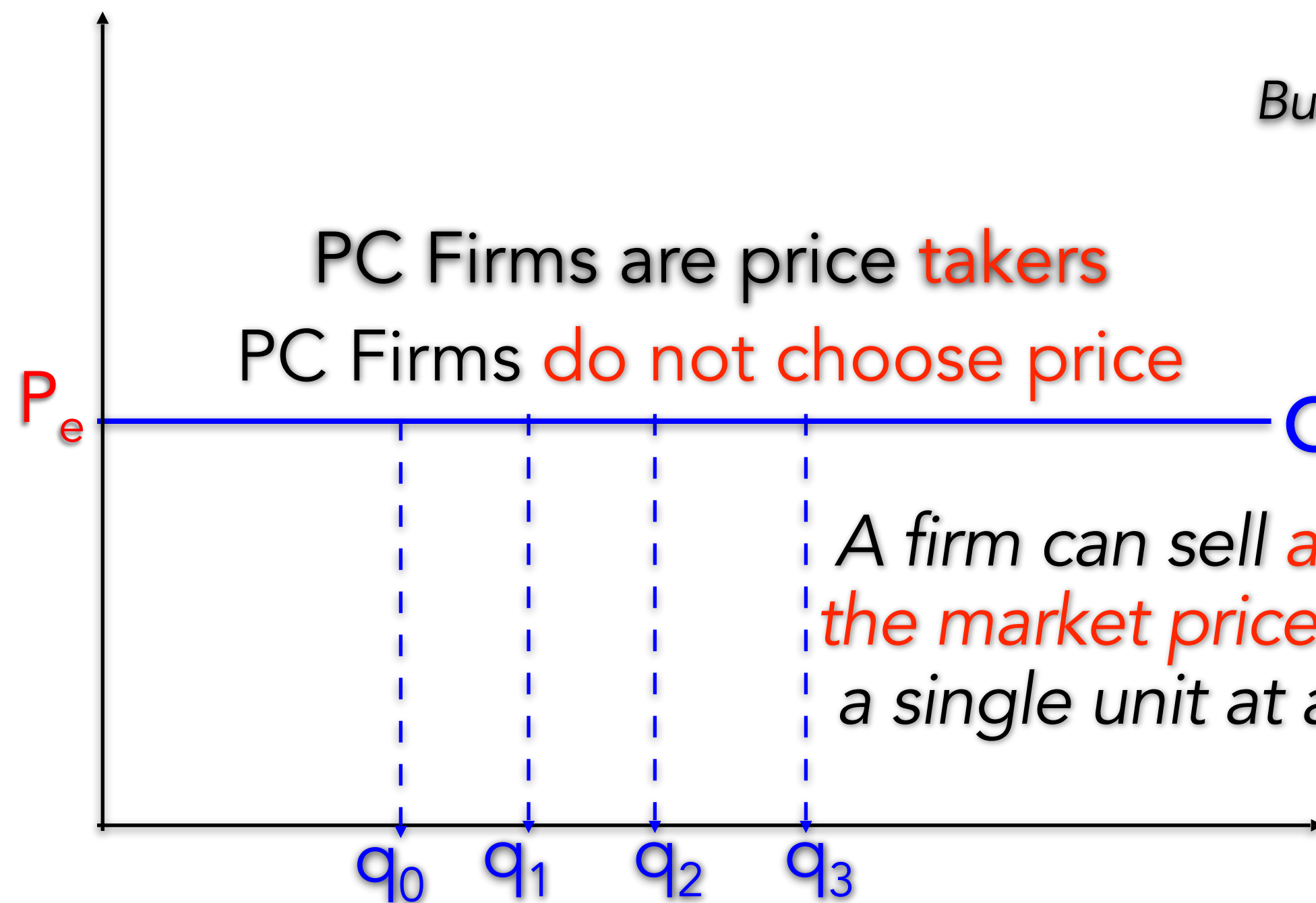
*A firm can sell **any amount at the market price**, but can't sell a single unit at a higher price*

All Firms as **a group** face Market Demand

A single firm **does not face** the Market Demand



Price is determined by buyers and sellers in the market



PC Firms are price **takers**

PC Firms **do not choose price**

But a **perfectly elastic demand** at the market price

A firm can sell **any amount at the market price**, but can't sell a single unit at a higher price

Each firm decide how many units to produce **given** the market price

Each firm produces only a tiny fraction (q) of the total (Q_e)

