



A firm **can not** charge a price
higher than market price

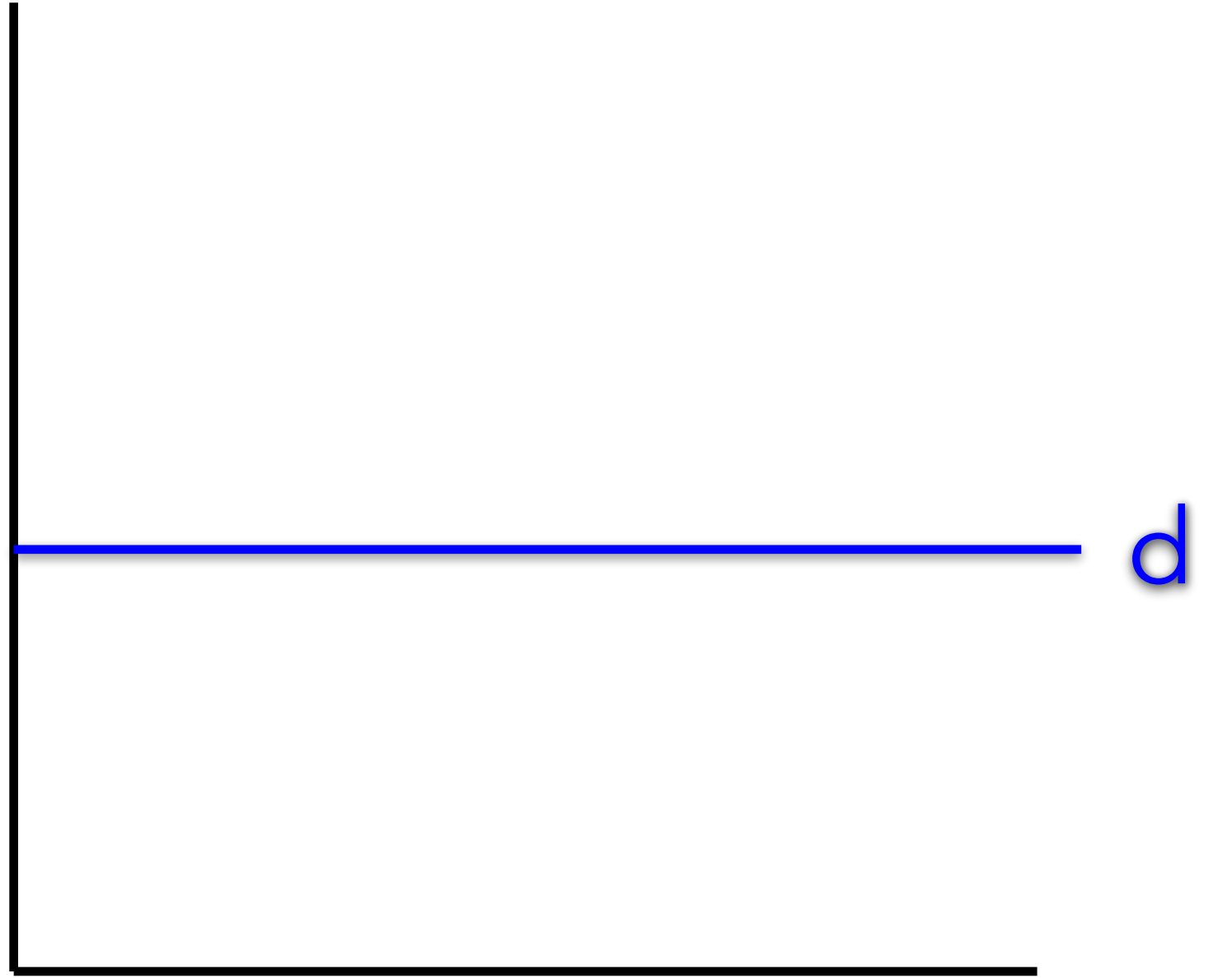
A large, light blue arrow pointing to the right, centered on a white background. The word "Because" is written in a bold, black, sans-serif font across the middle of the arrow.

Because

It would lose all its customers
to the competition

A firm would not charge a price
lower than market price

It can sell all it produces at
market price





Each firm faces a **Perfectly Elastic Demand** at the Market Price

P

e



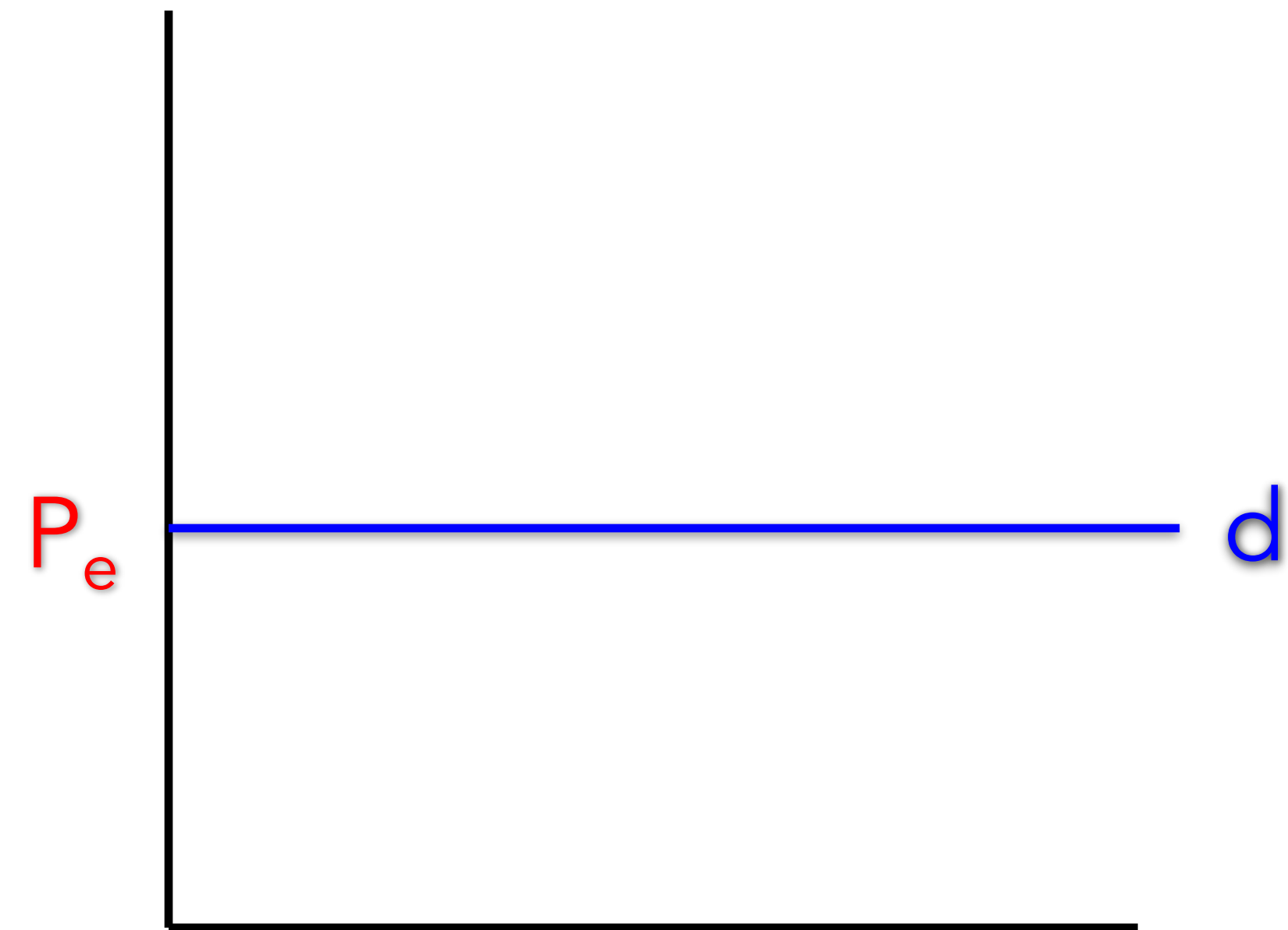
Because

Each firm faces a **Perfectly Elastic Demand** at the Market Price

A firm **can not** charge a price **higher** than market price



A firm **would not** charge a price **lower** than market price



$$\text{Total Revenue} = \text{Price} \times \text{Quantity}$$

TR

q

