



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



Because

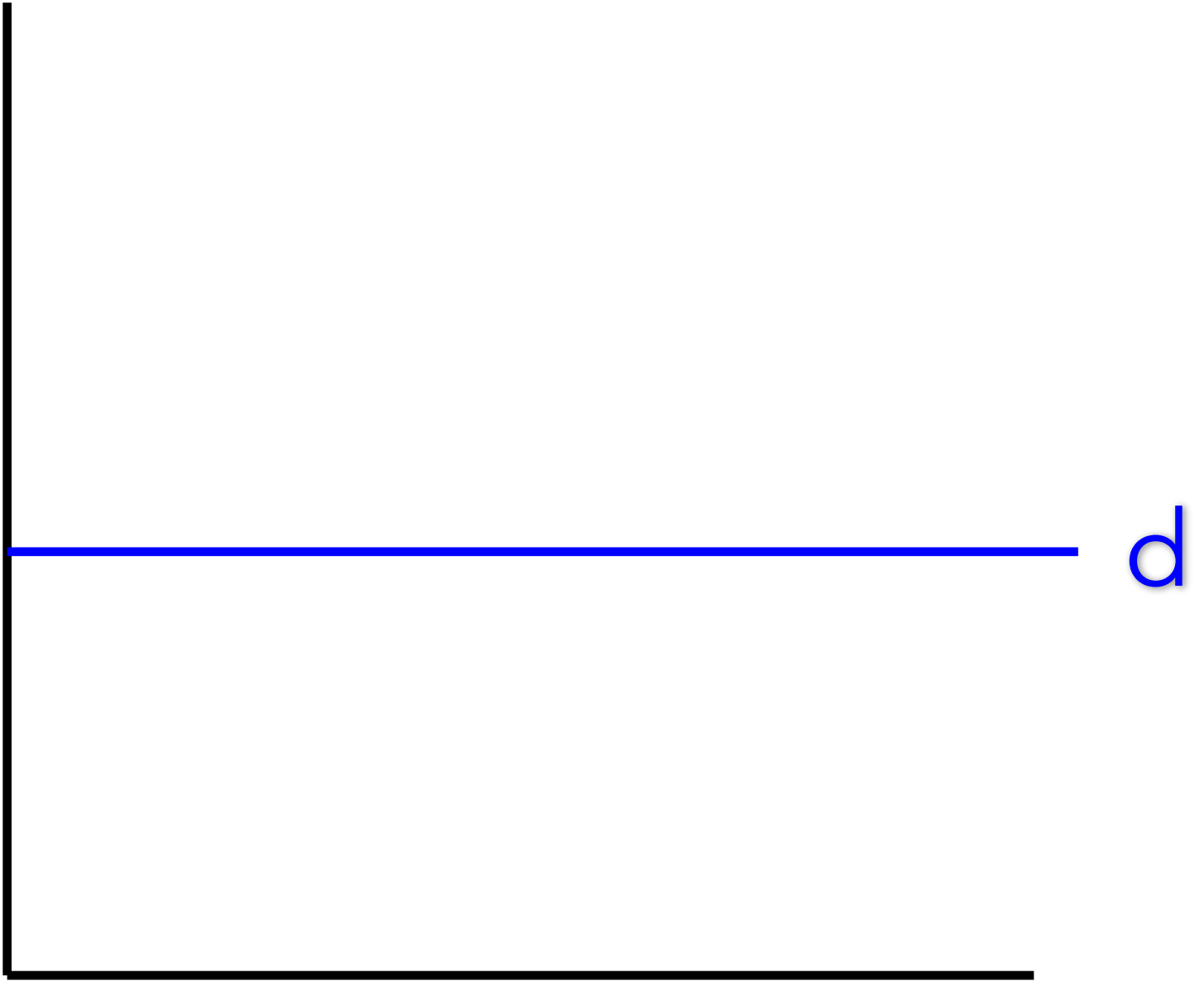
Lose all its customers
to the competition

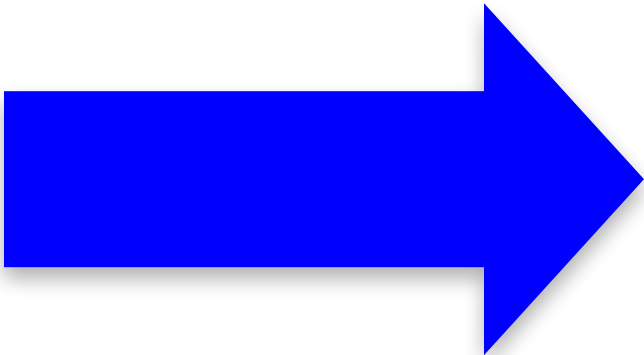
A firm would not charge a
price lower than market price

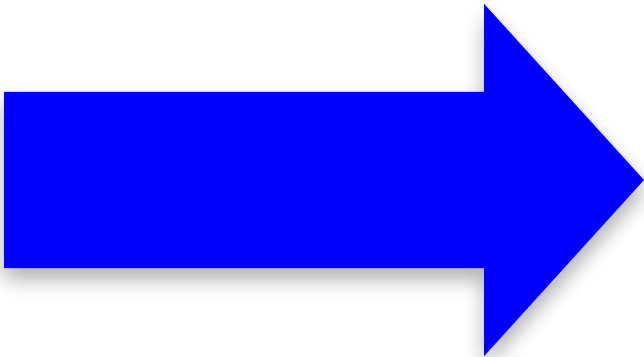


Because

It can sell all it produces
at market price







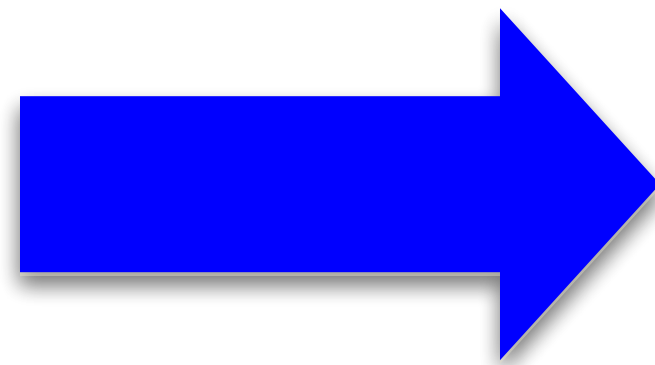
Each firm faces a Perfectly Elastic Demand
at the Market Price

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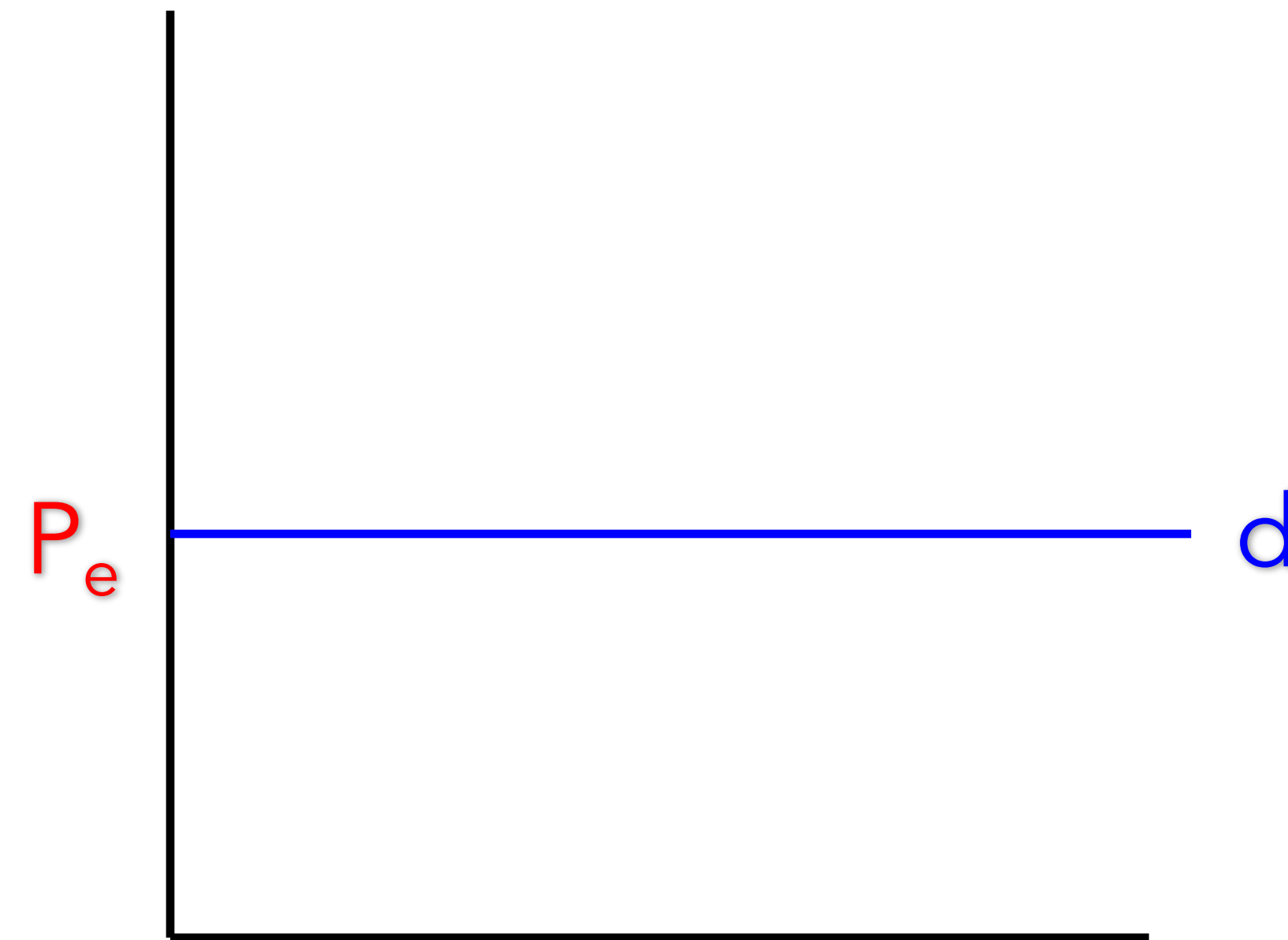
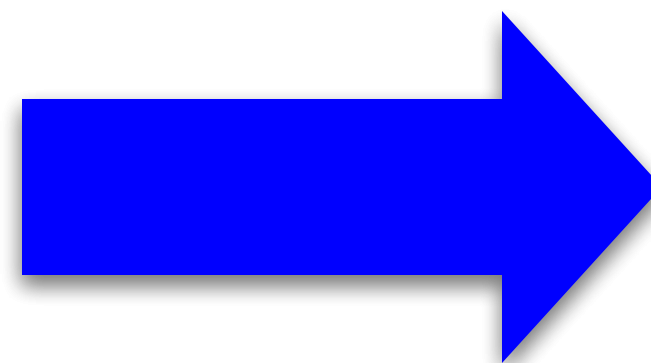
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Each firm faces a **Perfectly Elastic Demand** at the Market Price

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



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



Total Revenue = Price x Quantity

