





*A single firm does not face the Market Demand*

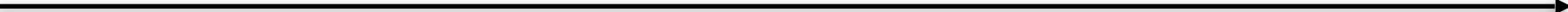






P

e



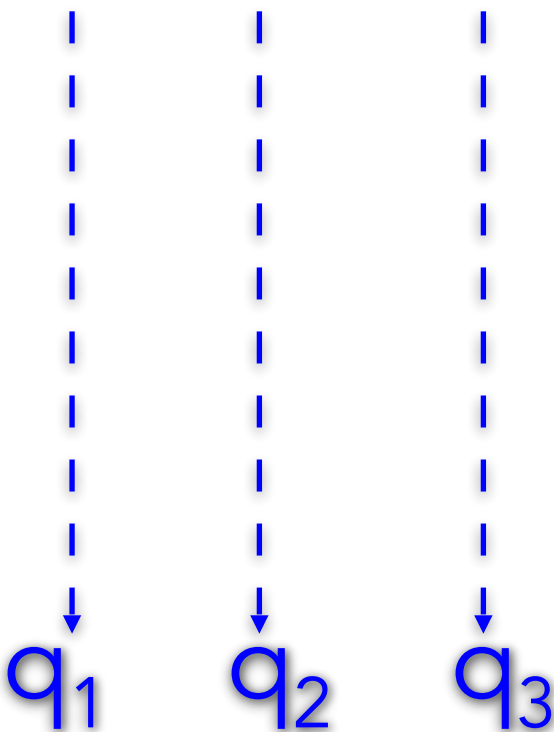


P

e

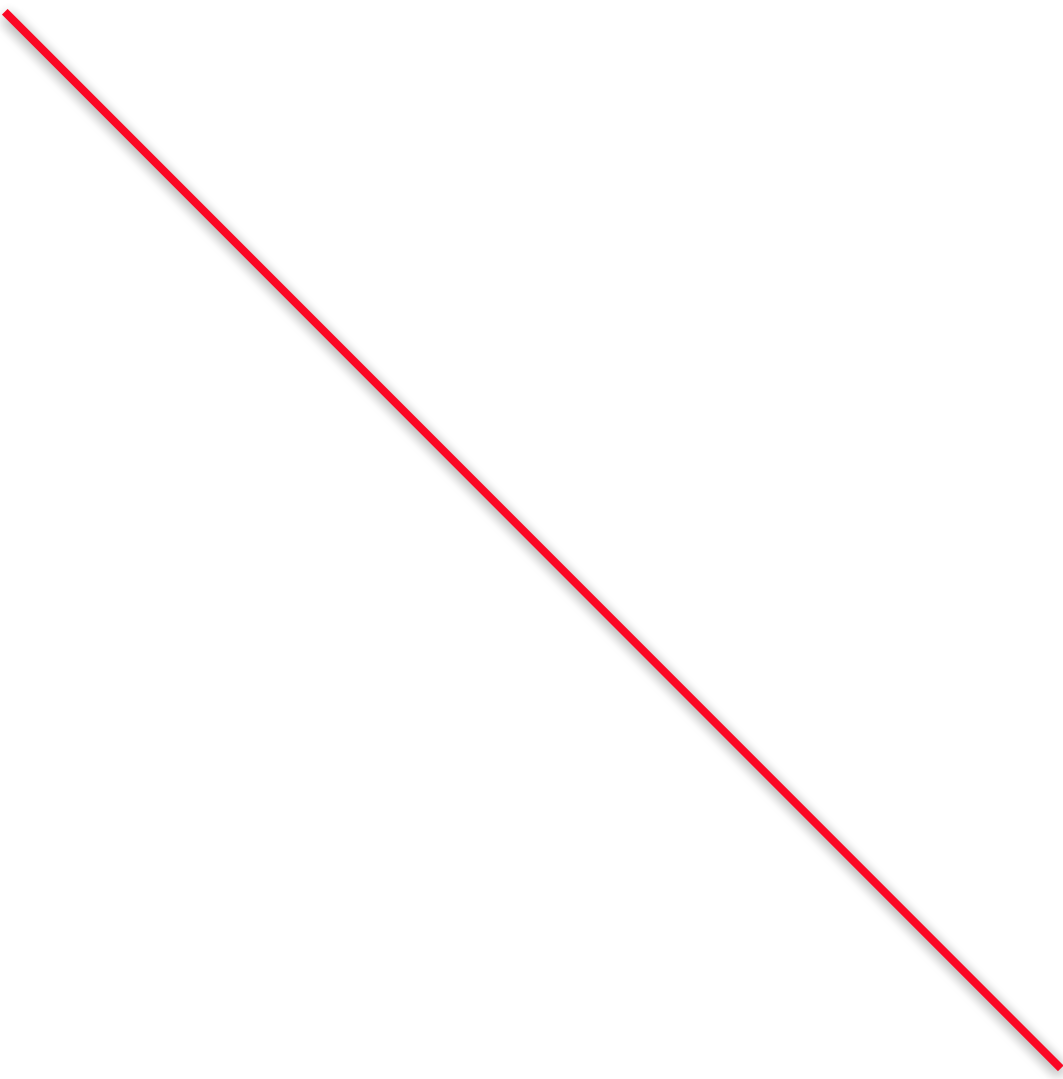
Price is determined by buyers  
and sellers in the market

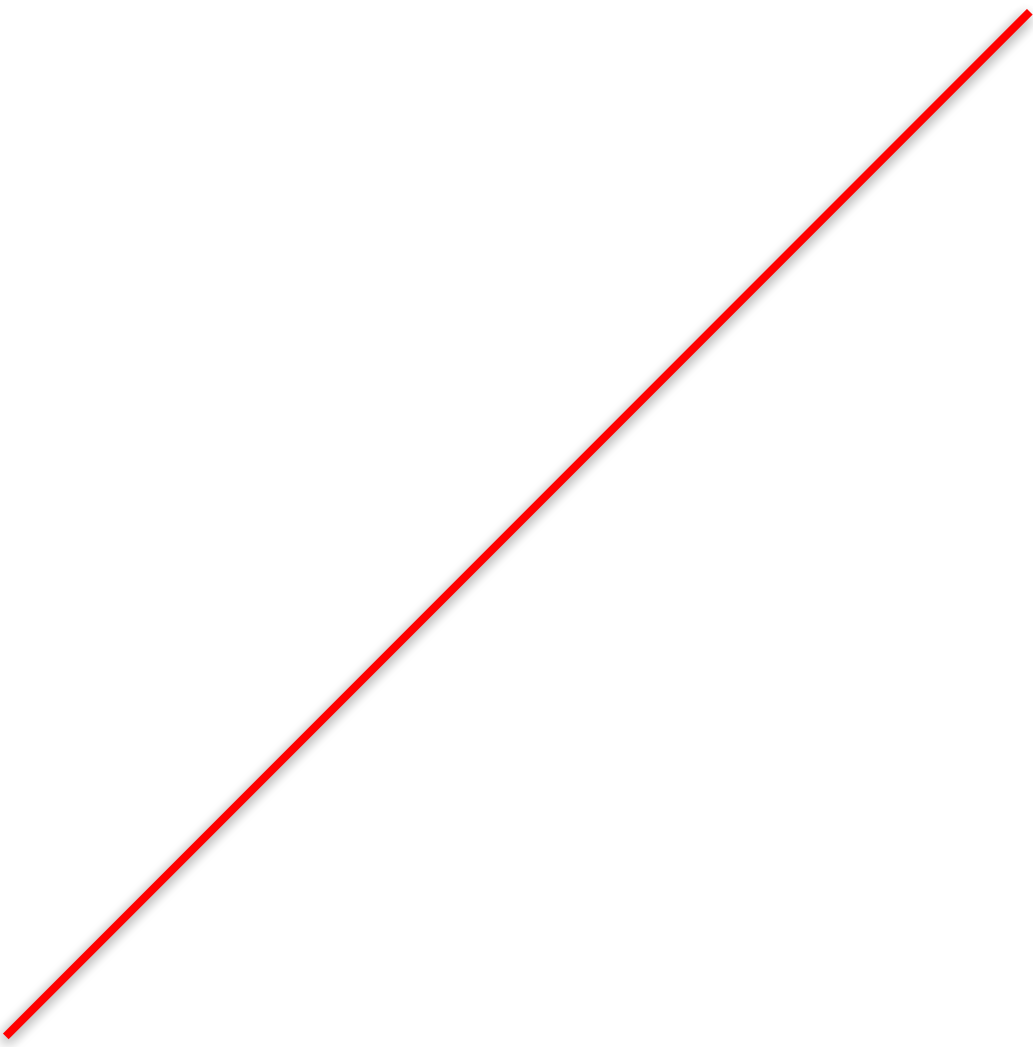
Each firm decide how many units  
to produce **given** the market price



PC Firms do not choose price

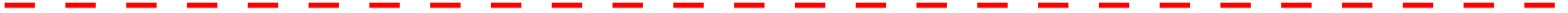
# Market Demand







S



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









**m**





2

n

S

e





a





Y

a

m



U

n





a





h

e

m

a





K

e



p







e





**b**

u





2

n







S

e





a

S





n

g





u

n







2



2

h



g

h

e





p











But a *perfectly elastic demand*  
at the market price



$\downarrow$   
 $Q_e$

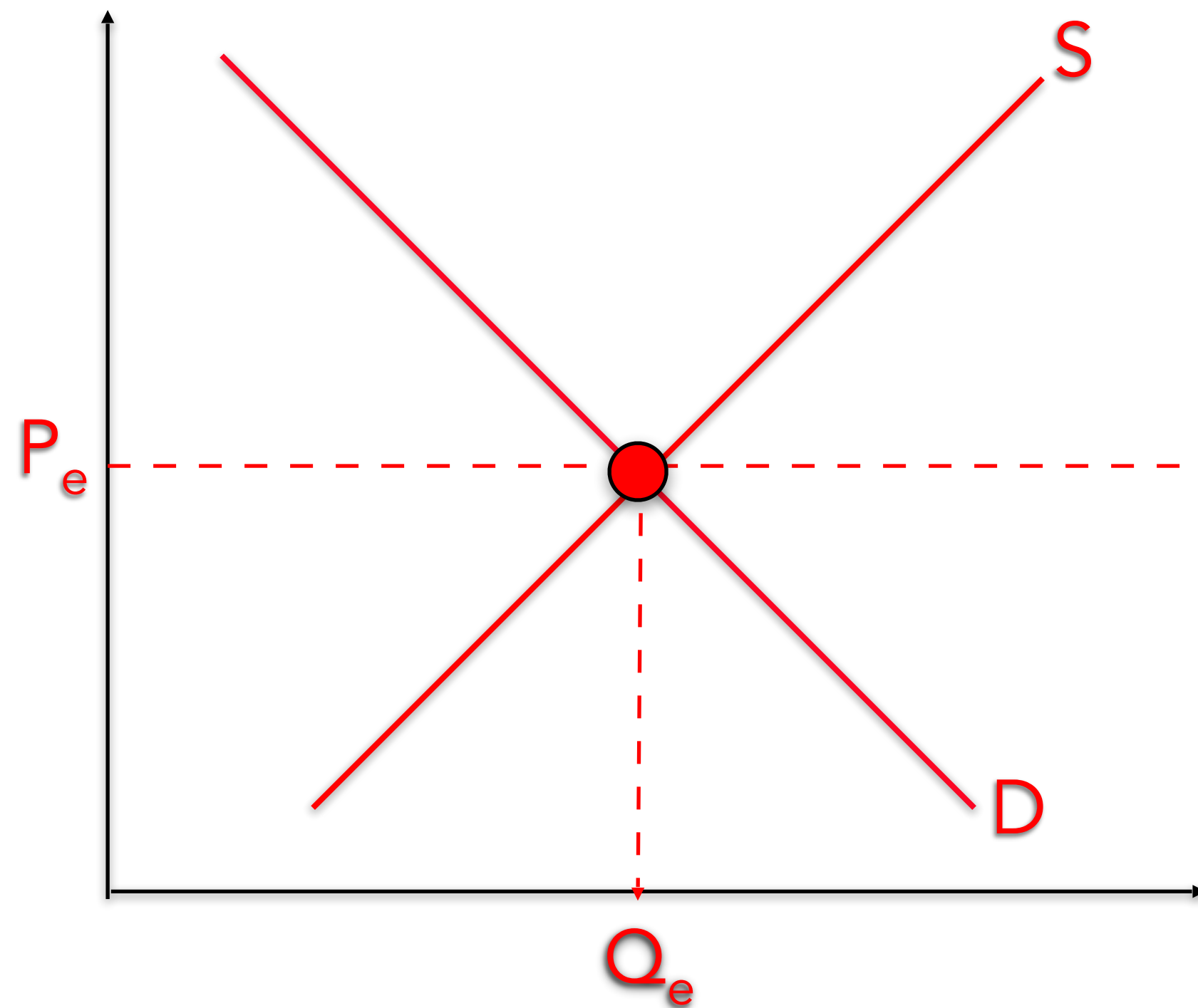
$\downarrow$   
 $q_0$



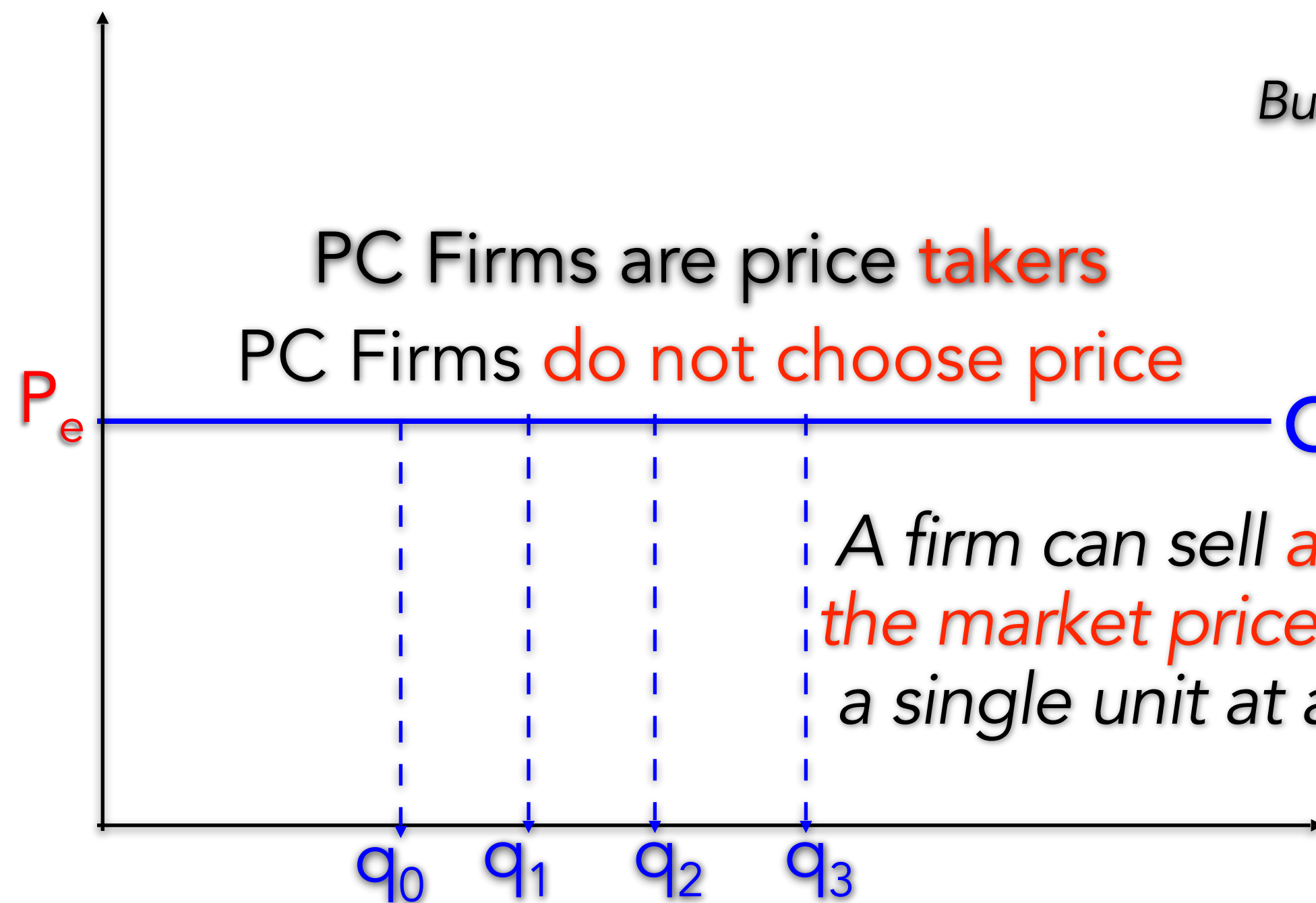
*A firm can sell **any amount at the market price**, but can't sell a single unit at a higher price*

# 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 ( $Q_e$ )

