

FUNDAMENTALS OF ECONOMICS- PERFECT COMPETITION

Agenda

- **Features** of perfect competition
- **Equilibrium** of a perfectly competitive firm in
Short run and
Long run
- **shut down point** in a perfectly competitive firm
- **Consequences** of perfect competition

https://www.youtube.com/watch?v=G4S_MqkjsRU

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Main features:

- Large no. of relatively small buyers and sellers
- Selling homogeneous products

Market for vegetables, fruits etc.



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Example...



AMUL



VADILAL



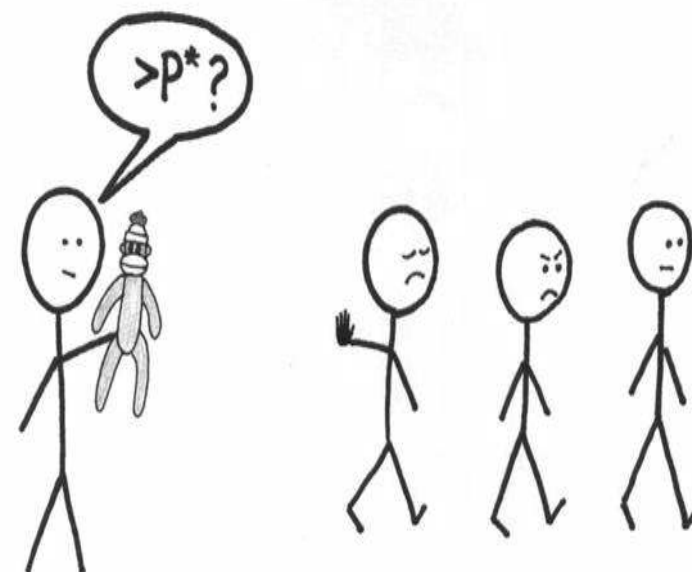
NATURALS



NESTLE

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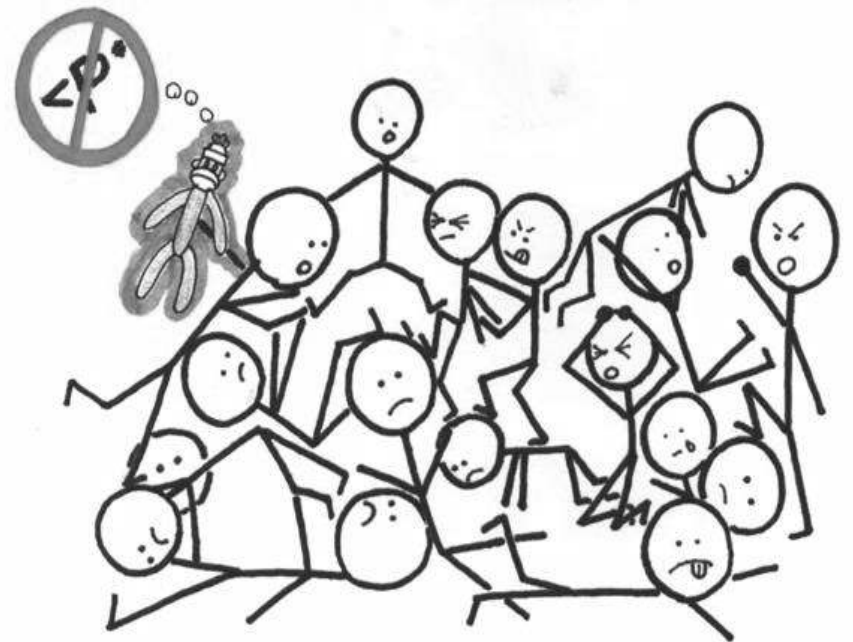
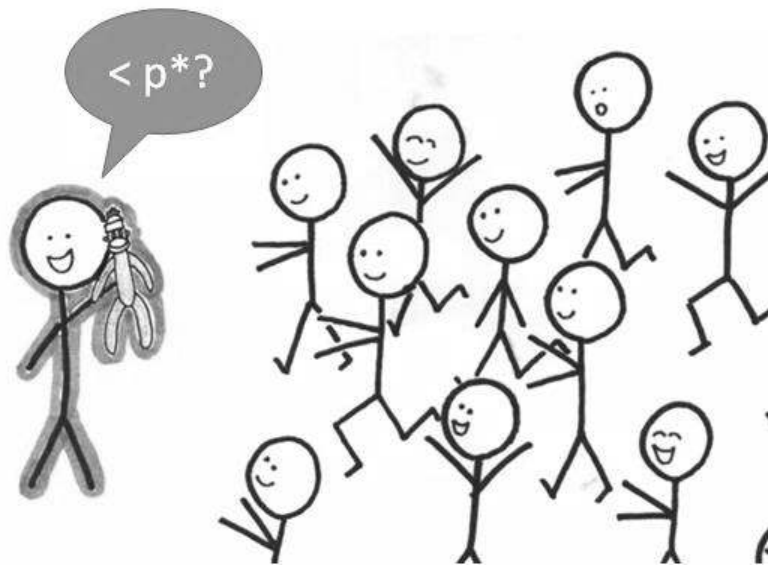
HOW THE FIRM IS PRICE TAKER?



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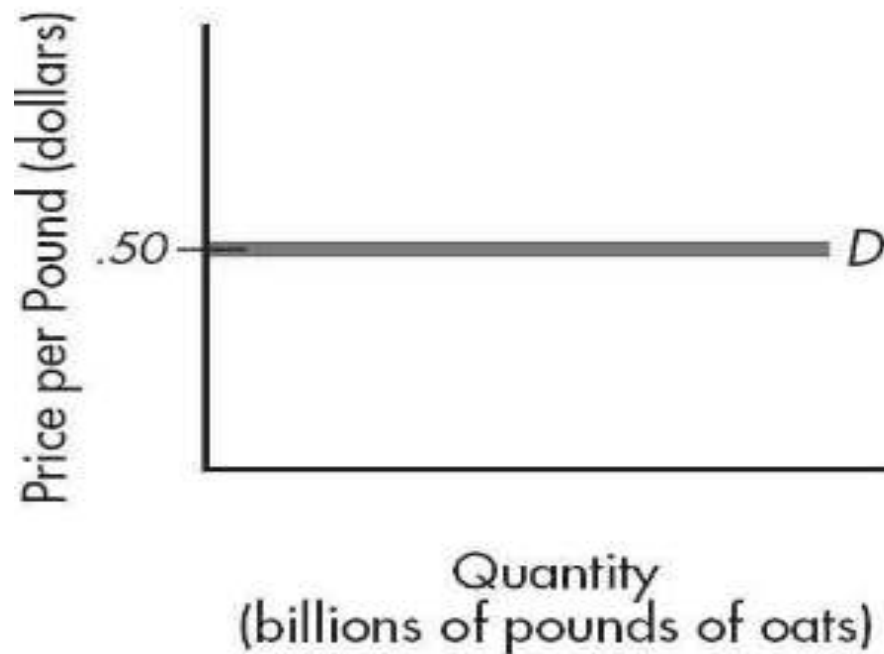
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As a Price taker



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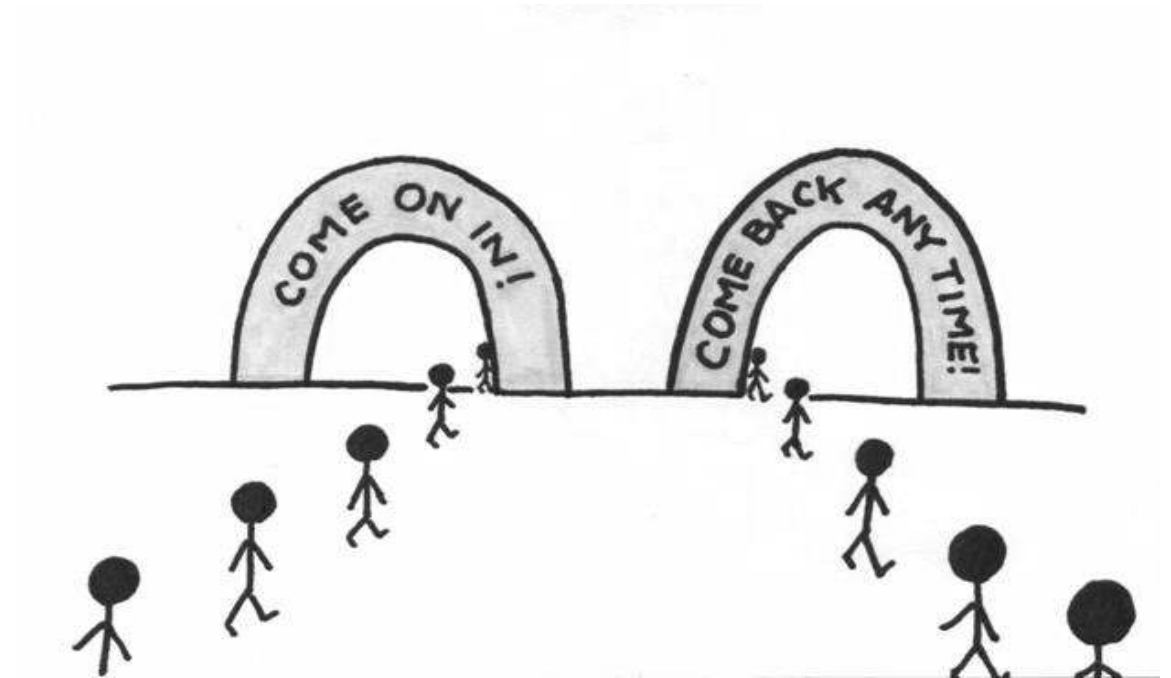
Perfect competition



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Features...

- Perfect mobility of factor
- No entry and exit barrier



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Features...

- Buyers and sellers have complete knowledge of cost, price, quantity, demand etc.



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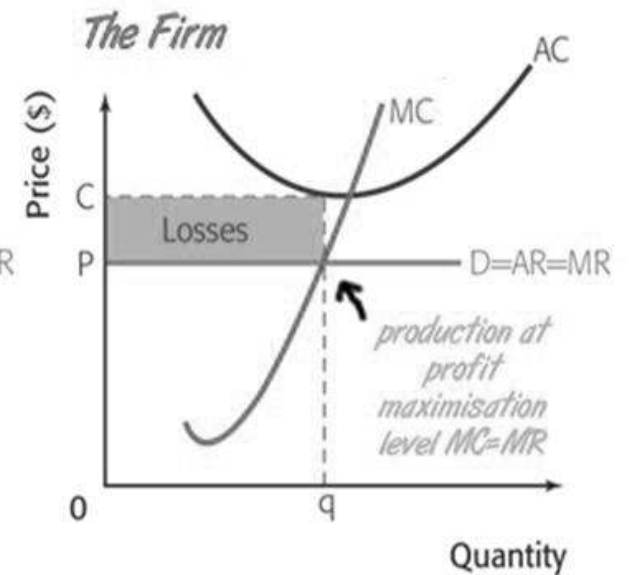
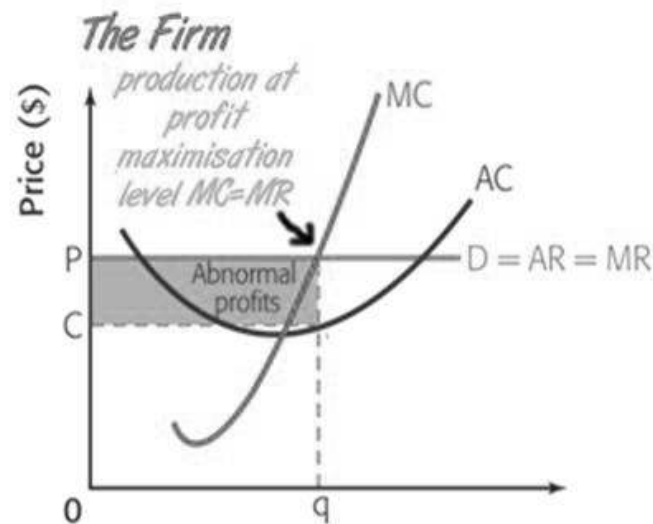
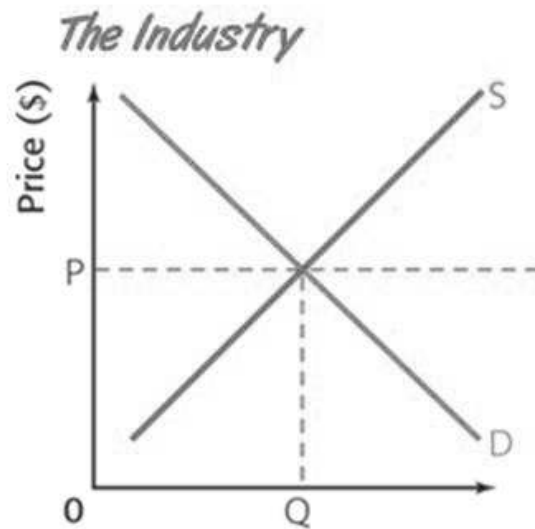
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□ Equilibrium of a perfectly competitive firm in the

Short-run

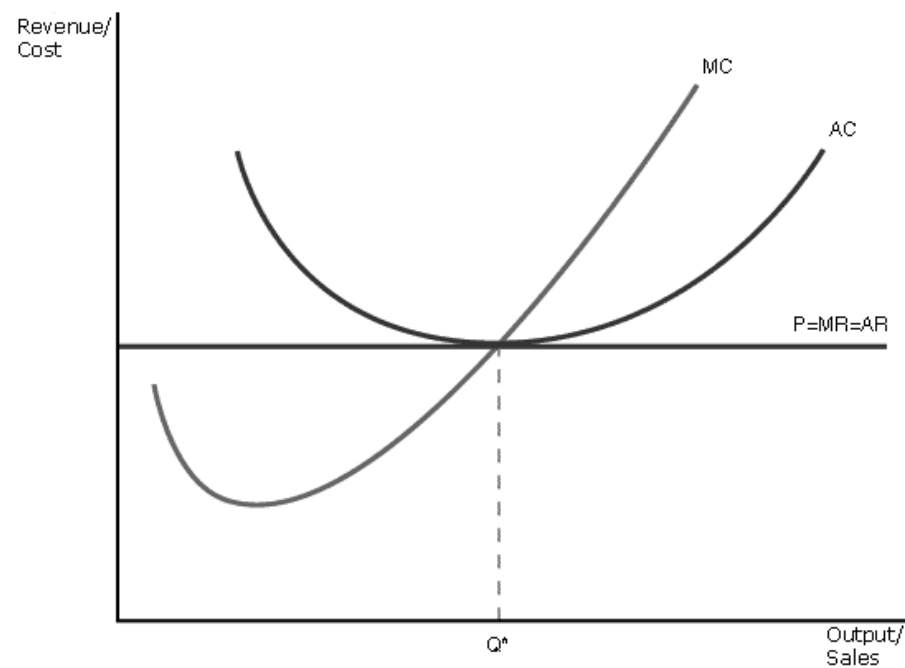
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Short run case



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Long-run case and equilibrium point



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Next lecture...

- Market structure
- Monopoly

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Examrace