

Name _____

8.1: A Perfectly Competitive Market

1. List the characteristics of a perfectly competitive market.

1.

2.

3.

4.

2. A seller in a perfectly competitive market is a price taker. What is a price taker?

3. Why does the price taker take the equilibrium price? Why doesn't he/she sell for a price that is higher or lower than equilibrium?

4. How much output does a seller in a perfectly competitive market produce?

5. What price does a seller in a perfectly competitive market charge for its product?

6. In a perfectly competitive market, how does profit act as a signal?

7. What happens in a perfectly competitive market if the firms in the other market earn profits?

8. If a law is passed that taxes away the profits earned by firms in a perfectly competitive market, what might be the unintended effect of the tax?

9. How can a seller determine if it is a price taker?