

Answer on Question #44218 – Economics - Microeconomics

Firms in a perfectly competitive market are said to be “price takers”—that is, once the market determines an equilibrium price for the product, firms must accept this price. If you sell a product in a perfectly competitive market, but you are not happy with its price, would you raise the price, even by a rupee? Explain.

Answer:

Price elasticity should be taken into consideration. In a perfectly competitive market there is no chance to raise price without losing volumes and customers. You can only increase price if your product has some differentiation. Increased price will force customer to switch to other product and other firms.