

### **Answer on Question #44879 – Economics – Microeconomics**

A. A single commodity is to be produced in a perfectly competitive market, thus, price of the commodity is given for all firms in the market, goal of the firm being profit maximization.

B. Out of the factors of production, Labour is the only variable factor whose market is also perfectly competitive, hence, price of labour is also given for all firms.

The question is : How does it imply that the supply of labour to the individual firm is Perfectly Elastic ? Please explain.

### **Answer**

In a perfectly competitive labour market there is a lot of sellers and buyers and the price of labour (wage) is the same for everyone. For each firm in the market the price of labor is given by the market. As the market is perfectly competitive, there is an infinite number of workers who can not change the wage in the individual firm. Thus, constant price of labour for an infinite number of workers is the definition of a perfectly elastic supply of labour for the individual firm.