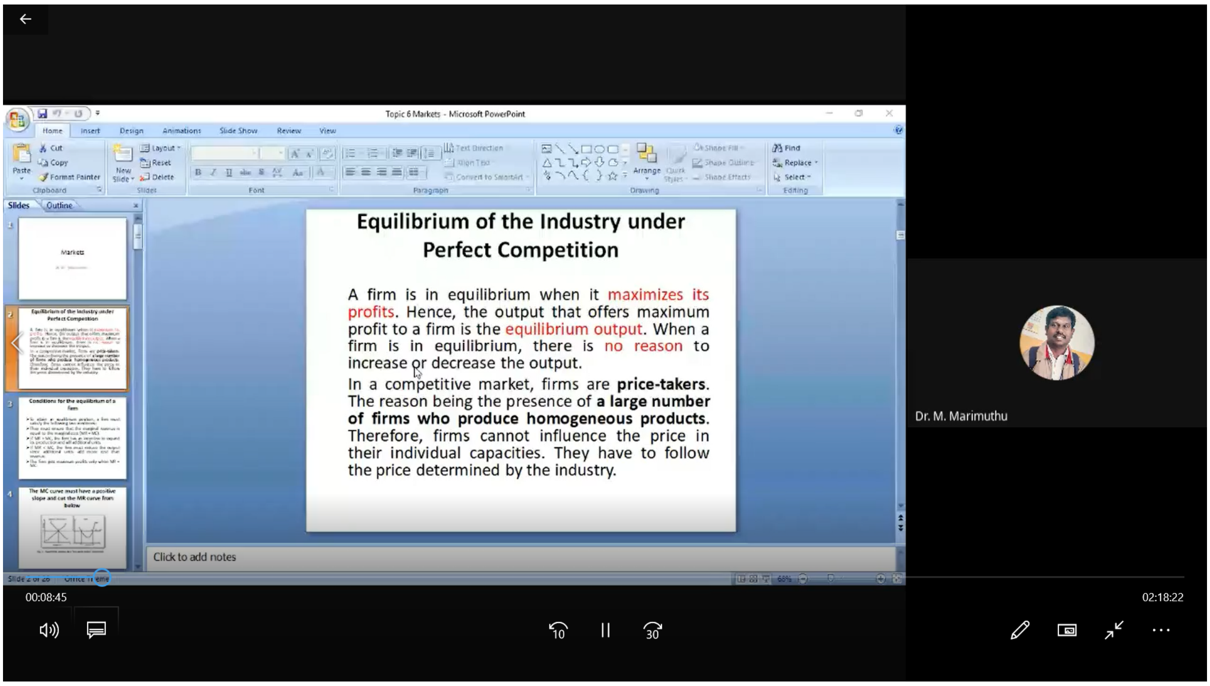
Topic 6 Markets - Microsoft PowerPoint
Equilibrium of the Industry under Perfect Competition
A firm is in equilibrium when it maximizes its profits. Hence, the output that offers maximum profit to a firm is the equilibrium output. When a firm is in equilibrium, there is no reason to increase or decrease the output.
In a competitive market, firms are price-takers. The reason being the presence of a large number of firms who produce homogeneous products. Therefore, firms cannot influence the price in their individual capacities. They have to follow the price determined by the industry.
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Dr. M. Marimuthu
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