Perfectly Competitive Market Model
Assumptions

- Many small producers such that no one can influence price.
- Firms are price takers in the market. So many firms that no one firm can influence price
- Homogeneous product
- Factor (Resource) mobility
- Perfect information – no trademarks, patents, exclusive knowledge
- Market entry and exit
- No government influence or interference
- Rationality of all market actors (maximize utility)
- Prices determined by the interaction of supply & demand

Say’s Law – Supply creates its own demand

Capitalism is self-regulating