Features of Perfect Competition

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F. Y. B. Com.

Dr. Madhuri Vartale-Sapate
M.A., M. Phil, NET, PH.D. P.G.D.F.T.
Asst. Prof.
Dept. of Economics

Dr. D. Y. Patil Arts, Commerce and Science College, Pimpri

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Introduction

Under the market structure, we can study perfect competition and imperfect competition.

The market structure covering so many small competitors that any one firm’s behaviour is unrelated to its competitors.

It predict how the prices and output are determined and can be changed due to behaviour of the firms.

It consider the short –run changes and long-run changes.

Under the perfect competition, buyers and sellers have no choice but accept the going prices.

For Ex. International Organization of Petroleum Exporting Countries (OPEC) oil market.
What is mean by Perfect Competition?

- Competition generally can not rivalry among individuals or groups.
- Market prices are set in an auction environment for a huge number of goods by the thousands of buyers.
- There is no bargaining amongst the buyers and sellers.
- The price of the product will tend to be equal at everywhere in the market.
- Products in the market are identical and homogeneous.
Definition of Perfect Competition...

- Mrs. Joan Robinson
  “Perfect competition prevails when the demand for the output of each producer is perfectly elastic.”

- Prof. Boulding
  “A perfect competition market may be defined as a large number of buyers and sellers all engaged in the purchase and sale of identically similar commodities who are in close contact with one another and who buy and sell freely among themselves.”
Definition of Perfect Competition

Prof. Benham

“A market is said to be perfect when all the potential sellers and buyers are promptly aware of the price at which transactions take place and all of the offers made by other sellers and buyers, and when any buyer can purchase from any seller and vice versa.”

Perfect market is a market where nobody can control over the price of the product. Let us see the main features of perfect competition.
Main features of perfect competition

Homogeneous Product :-

There is no typical features associated with the product of a particular firm. Buyer cannot differentiate between the products of two companies or firms. Under the perfect competition, the products are identical and homogeneous in nature. The substitute is available in the market. So buyer easily go to another seller to buy the product with the same price.
Main features of perfect competition

A large number of Sellers:-

In this market structure a large number of sellers or firms. No one can influence the total supply of industry. There is no impact on price too. The demand for the product (seller) is perfectly elastic. Therefore all firms are price taker and accept the market price.

A large number of Buyers:-

Another feature of perfect competition is a large number of buyers. There are homogeneous products in the market so he can go anywhere and buy the product. Any individual demand cannot affect the total market demand and price of the product. Therefore all buyers present in such market are price taker.
Main features of perfect competition

- **Complete Knowledge of the market:-**
  Under perfect competition, it is assumed that all the sellers and the buyers have perfect knowledge of the market. Further the sellers and buyers are aware of the prices that seller sale the product and the buyers offer the same. So buyers and sellers uses opportunity of good bargain.

- **No transaction cost:-**
  The buyer accept the price of the product that the seller received. In such a market, the buyers and sellers do not earn nay transaction cost. There is no additional cost.
Main features of perfect competition

- Economic Rationality:
  The perfect competition, characterized with assumption of economic rationality. It indicates that anyone buyer or seller come to the market on his own interest. As they have complete knowledge of the market and equal price for homogeneous product.

- Freedom of entry and exit:
  It is the most crucial feature of the perfect competition. In the long run any firm can enter into the market for profit objectives and any firm can loose the market due to loss.
Main features of perfect competition

- Perfect mobility of factors of production:
  Under the perfect competition, the factors of production are perfectly mobile. So that they can move from one firm to another. The skilled workers can also free to move from one firm to different firms.

- Non intervention of government:
  It is one of the important feature of the perfect competition that there is no government regulation as such. The government has no intervention regarding the market structure in terms of tariff, subsidies etc.
Main features of perfect competition

- Normal profit level:–
  The perfect competition has fully mobilized factors, elastic demand, not control over the price all these assumptions tend to create average revenue is equal to marginal cost. It produces normal profit level for the long run firm.
Conclusion

- Maximum allocation of factors of production.
- Competition encourages the efficiency in the output.
- The bargaining power of buyer can lower the price of the product.
- More importance to consumer behaviour which may change demand and supply of the product.
Thank you...!