

Is This Perfect Competition?

Class Activity

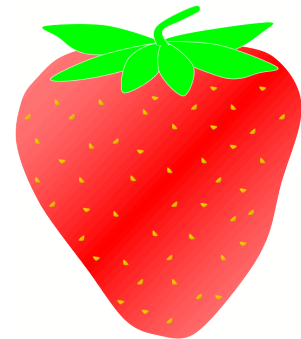
DIRECTIONS

Several markets are listed below. Use the characteristics of perfect competition to decide whether each market is perfectly competitive or not. There are questions for each characteristic of perfect competition for each market.

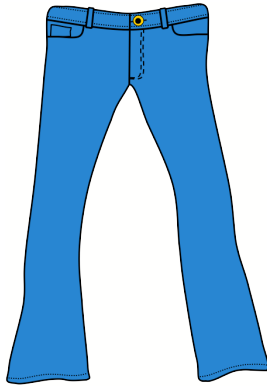
Characteristics of Perfect Competition
Numerous Sellers
Standardized Product
Free Entry and Exit
Perfect Information
All Firms Are Price Takers

1) MARKET FOR STRAWBERRIES

- A) Are there numerous sellers of strawberries? Approximately how many sellers are there?
- B) Are strawberries a standardized product? If not, what accounts for the differences between strawberries?
- C) Are firms easily able to enter and exit the strawberry market? Explain.
- D) Do producers and consumers all have perfect information? If not, what keeps them from having perfect information?
- E) Do all of the firms in the strawberry market sell their strawberries for roughly the same price?
- F) Based on your answers to the above five questions, do you think the market for strawberries is perfectly competitive? Explain.



2) MARKET FOR JEANS



- A) Are there numerous sellers of jeans? Approximately how many sellers are there?
- B) Are jeans a standardized product? If not, what accounts for the differences between jeans?
- C) Are firms easily able to enter and exit the jeans market? Explain.
- D) Do producers and consumers all have perfect information? If not, what keeps them from having perfect information?
- E) Do all of the firms in the jeans market sell their jeans for roughly the same price?
- F) Based on your answers to the above five questions, do you think the market for jeans is perfectly competitive? Explain.

3) MARKET FOR WHEAT



- A) Are there numerous sellers of wheat? Approximately how many sellers are there?
- B) Is wheat a standardized product? If not, what accounts for the differences?
- C) Are firms easily able to enter and exit the wheat market? Explain.
- D) Do producers and consumers all have perfect information? If not, what keeps them from having perfect information?
- E) Do all of the firms in the wheat market sell their wheat for roughly the same price?
- F) Based on your answers to the above five questions, do you think the market for wheat is perfectly competitive? Explain.