



The Legend of Perfect Competition | Worksheet

Matching

Match the definition in Column A with the term in Column B.

Column A

- _____ Identical goods differing only by seller or price.
- _____ Obstacles preventing new businesses from starting.
- _____ A flawless market where sellers share power equally.
- _____ Obstacles preventing businesses from closing easily.
- _____ Businesses that produce or sell goods and services.
- _____ Sellers who must accept the market's price.

Column B

- a. Perfect Competition
- b. Firms
- c. Standardized Products
- d. Price Takers
- e. Barriers to Entry
- f. Barriers to Exit

Multiple Choice

1. **Why do economists consider competition important in a market economy?**
 - a. It promotes consumer choice by limiting the number of firms.
 - b. It guarantees every firm will earn equal profits over time.
 - c. It encourages efficiency, innovation, and fair prices for consumers.
 - d. It allows governments to control prices and firms more easily.
2. **If the number of firms in a market decreases, what is most likely to happen?**
 - a. Prices will fall because increased competition will drive them down.
 - b. Fewer firms means sellers will lose all control over their prices.
 - c. Product quality will improve dramatically with fewer firms.
 - d. Consumers will have fewer choices, and prices may rise as a result.
3. **Which of the following best describes the *four forces of perfect competition*?**
 - a. Few firms, unique products, price makers, and government control.
 - b. Many firms, standardized products, price takers, and no barriers to entry or exit.
 - c. Many firms, standardized advertising, market innovation, and high prices.
 - d. Identical products, limited entry, high profits, and fixed prices.
4. **Which of the following is a common *barrier to entry* in a market?**
 - a. Government regulations and high startup costs.
 - b. Lack of a good business plan and college education.
 - c. Inability to secure a parking structure and organic products.
 - d. Too many ideas and not enough time to implement them.

Application

Think about something you buy often—like snacks, clothes, shoes, or phone chargers.

Would you say that market is close to *perfect competition* or not?

Explain your reasoning with one example of how price, quality, or brand differences affect your choice.



Scan to watch episode:

The Legend of Perfect Competition | Answer Key

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- e. Obstacles preventing new businesses from starting.
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Sample Answer:

Example Product: Phone chargers

I don't think the phone charger market is perfectly competitive. There are many sellers, but the products aren't exactly the same. Some chargers are faster, more durable, or come from known brands like Apple or Anker. I usually compare prices online, but I'm willing to pay a little more for one that won't break quickly. This shows the products aren't standardized, and companies compete on quality and brand, not just price.

Guidance for Grading

- ☐ Clearly names a product or a market they buy from.
- ☐ States whether the market is close to perfect competition or not.
- ☐ Explains their reasoning using at least one of the four forces (number of sellers, standardized products, price-taking, barriers.)
- ☐ Uses a personal or realistic example to support their argument.