



The Legend of Perfect Competition | Lesson Plan

What can the ideal of perfect competition teach us about the strengths and limits of real-world competition?

Students will understand that perfect competition is an ideal model of efficiency, and that comparing it with real markets helps explain why prices, choices, and competition look the way they do in everyday life.

Learning Objectives:

- Define key economic terms, including perfect competition, firms, standardized products, price takers, barriers to entry, and barriers to exit.
- Identify the four conditions of perfect competition and recognize how each condition contributes to maximum competition.
- Distinguish between markets that approach perfect competition and those that show imperfect competition (e.g., monopoly, monopolistic competition, oligopoly).
- Explain why perfect competition is considered an ideal model in economics, and describe how real-world markets differ from this ideal.
- Analyze how barriers to entry, product differences, and government involvement affect competition, prices, and consumer choice in actual economies.

Key Vocabulary:

- **Perfect Competition:** An imagined market where many sellers offer the same goods, choices are plentiful, quality stays high, and prices stay low because no one can control the market.
- **Firms:** Businesses that make or sell goods and services.
- **Standardized Products:** Goods that are basically the same, no matter who sells them, so the only difference is price.
- **Price Takers:** Sellers who must accept the going market price; if they try to charge more, customers just buy from someone else.
- **Barriers to Entry:** Things that make it hard to start a new business, such as high costs or unfair advantages.
- **Barriers to Exit:** Things that make it hard to close down a business, like sunk costs or long-term obligations.

Educational Standards: CCRA.R.7, CCRA.R.10, CCRA.W.2, CCRA.W.4, CCRA.W.7, CCRA.SL.1, CCRA.SL.2, CCRA.L.6

Academic Subject Areas: Economics,

What You'll Need

- Video: *Ca\$h Cour\$e: The Legend of Perfect Competition* (Watch [Here](#))

Scan to watch episode:



- Worksheet: *Ca\$h Cour\$e: The Legend of Perfect Competition* (Click [Here](#))
- Classroom whiteboard and dry-erase markers (or use a technology solution if available).

Lesson Plan (50 mins.)

Warm-Up: (10 mins.)

1. Begin with a quick discussion about ideal versus reality. Ask students what a perfect school day would look like and take a few responses. Then ask what a real school day looks like. Students should realize the difference right away. Explain that sometimes we know what an ideal condition is, even though it's difficult to reach, we can still set that as our standard. Economists do this with competition. In a perfect market, there would be perfect competition. Today, we'll learn what the four forces of perfect competition look like and how we either meet or fall short of each of them in reality.
2. Introduce the following key terms on the board, and provide the definition and an example (ask students to write the definitions down in their notebooks):
 - **Perfect Competition:** An imagined market where many sellers offer the same goods, choices are plentiful, quality stays high, and prices stay low because no one can control the market.
 - Example: No real market is perfectly competitive, but some agricultural markets (like wheat, corn, or milk) and online retail markets (for things like phone charges or USB cables for instance) come close because they sell very similar products at prices set by the market.
 - **Firms:** Businesses that make or sell goods and services.
 - Examples: Apple (electronics), McDonald's (fast food), local barbershops, neighborhood bakeries.
 - **Standardized Products:** Goods that are basically the same, no matter who sells them, so the only difference is price.
 - Examples: Table salt, bottled water, gasoline, wheat, or a turkey leg at a fair.
 - **Price Takers:** Sellers who must accept the going market price; if they try to charge more, customers just buy from someone else.
 - Examples: Farmers selling corn at the market price, stock traders buying and selling shares, gas stations in highly competitive areas.
 - **Barriers to Entry:** Things that make it hard to start a new business, such as high costs or unfair advantages.
 - Examples: High startup costs for airlines, patents protecting pharmaceutical drugs, government licensing for taxi services.
 - **Barriers to Exit:** Things that make it hard to close down a business, like sunk costs or long-term obligations.
 - Examples: A factory with millions invested in equipment, companies locked into long-term leases, or businesses that owe large severance packages.
3. Have students come up with a few examples of their own to test understanding.

4. Transition to today's enduring question and explain that this question will help guide their understanding of today's lesson: *What can the ideal of perfect competition teach us about the strengths and limits of real-world competition?*
5. Once students are familiar with the basic terms and ideas, explain that they'll now watch a short video that brings these concepts to life. The video uses storytelling and examples to show what a perfectly competitive market would look like, why it's considered an *ideal* rather than a reality, and how the four forces—many firms, standardized products, price takers, and no barriers—help us understand how competition shapes prices, choices, and efficiency in the real world.
6. Let students know they'll be expected to discuss and apply what they see, so they should watch carefully for moments that connect to the vocabulary they just reviewed.

Watch and Discuss: (20 mins.)

1. Show the *Ca\$h Cour\$e: The Legend of Perfect Competition* video to the class.
2. Note to teachers: watch straight through or pause at key moments to clarify aspects of perfect competition.
3. After the video, ask the following discussion and comprehension questions:
 - What are the four conditions (or forces) that make up perfect competition?
 - Why are sellers in a perfectly competitive market called "price takers"?
 - How do standardized products influence consumer choice in a perfectly competitive market?
 - What does it mean for a market to have no barriers to entry or exit, and why is that important?
 - Why do economists say perfect competition is an "ideal" rather than something that exists in real life?
 - Can you think of a real-world market that comes close to perfect competition? What makes it similar?
 - How does comparing the ideal of perfect competition with real markets help us better understand prices, choices, and competition in everyday life?
4. Give each student the "Cash Course: The Legend of Perfect Competition Worksheet" and allow them to complete it independently or in pairs.

Wrap-Up: (20 mins.)

1. If students haven't already, allow them to finish the worksheets. Use this time to circulate, answer questions, and check for understanding.
2. Review and Reflect (Optional): Go over selected questions together, especially:
 - Multiple choice items tied to real-world reasoning
 - The application question
3. Wrap-Up Prompt (Board or Exit Ticket)
 - *List two of the four forces (conditions) of perfect competition.*
 - *Give one reason why real markets don't fully meet these conditions.*

- Students can write a quick response on an index card or notebook, or submit it at the bottom of their worksheet.
4. Tie in the Essential Question with a quick discussion before ending class. Ask students: *Looking back at the question, what can the ideal of perfect competition teach us about the real world? How would you answer that now?*
 5. Collect Worksheets: Use the completed worksheet as a way to assess comprehension and mastery of the lesson objectives.

Don't have time for the full lesson? Quick Activity (10-15 mins.)

Distribute the worksheet and allow students to complete it while they follow along with the video. Or, have students watch the video at home and use the worksheet as a quick quiz the next day in class.