

Standard 9 : Role of Competition

Students will understand that:

Competition among sellers lowers costs and prices, and encourages producers to produce more of what consumers are willing and able to buy. Competition among buyers increases prices and allocates goods and services to those people who are willing and able to pay the most for them.

Students will be able to use this knowledge to:

Explain how changes in the level of competition in different markets can affect them.

Fast-food restaurants that set prices too high, or give slow, unfriendly service, risk losing customers to competing restaurants that offer lower prices, higher-quality products, and better service. In this way, competition benefits consumers. Understanding the benefits of competition and the costs of limiting competition helps students evaluate public policies that affect the level of competition in various markets. It also helps students understand their own roles as producers and consumers in a market economy in terms of opportunities to compete with others and in terms of the limits that competition places on their incomes, career plans, and what they can buy and consume.

Competition improves productivity by forcing all suppliers to "be the best that they can be." Productivity improvements, in turn, foster economic growth, and a better quality of life for current and future generations. It is important for students to recognize that competition contributes in a positive way to economic growth and the quality of life.

Benchmarks

Grade 4

At the completion of Grade 4, students will know that:	At the completion of Grade 4, students will use this knowledge to:
Competition takes place when there are many buyers and sellers of similar products.	Identify competitors in their community, using the yellow pages of the telephone book.
Competition among sellers results in lower costs and prices, higher product quality, and better customer service.	Explain how the opening of a second pizza shop in a small community affects prices, profits, service, and quality.

Grade 8

At the completion of Grade 8, students will know the Grade 4 benchmarks for this standard, and also that:	At the completion of Grade 8, students will use this knowledge to:
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Sellers compete on the basis of price, product quality, customer service, product design and variety, and advertising.	Give examples of price and nonprice competition in the athletic shoe market.
Competition among buyers of a product results in higher product prices.	Play several rounds of a market game in which the number of buyers is changed dramatically in each round and explain the impact of these changes on price.
The level of competition in a market is influenced by the number of buyers and sellers.	Estimate of the number of producers and consumers of cereals, guided missiles, agricultural products and electricity, and generalize about the relationship between the number of producers and consumers and the level of competition.

Grade 12

At the completion of Grade 12, students will know the Grade 4 and Grade 8 benchmarks for this standard, and also that:	At the completion of Grade 12, students will use this knowledge to:
The pursuit of self-interest in competitive markets generally leads to choices and behavior that also promote the national level of economic well-being.	Explain how people motivated by their own self-interest help market economies promote national well-being as long as there is active competition among buyers and sellers.
The level of competition in an industry is affected by the ease with which new producers can enter the industry and by consumers' information about the availability, price and quantity of substitute goods and services.	Explain why, in the last ten years, there have been no U.S. companies emerging to manufacture locomotives, but many emerging to manufacture silk screen T-shirts and sports clothing. Also, predict what happened to prices of resold tickets to sporting events after Arizona required all ticket scalpers to operate only in a small roped-off area near the stadium or arena in the two hours before an event.
Collusion among buyers or sellers reduces the level of competition in a market. Collusion is more difficult in markets with large numbers of buyers and sellers.	Explain why collusion is more likely to work among international airlines than among U.S. farmers who produce wheat.
The introduction of new products and production methods by entrepreneurs is an important form of competition and is a	Create a timeline showing notable twentieth-century American entrepreneurs' products and production methods and write

source of technological progress and economic growth.

a brief essay on their impact on economic growth, competition, technological progress, and job opportunities.