Teacher Answer Key

Case Study

1. There are a huge number of sellers and the wheat itself is basically the same no matter who grew it. That's why no single farmer can set the price and everyone takes the market rate.

2. Since farmers can't raise their price, the only way to make money is to cut costs. Tools like precision agriculture lower expenses and raise yields, which keeps a farm profitable on thin margins.

Multiple Choice

1. A

2. C

3. B

Matching

1-D, 2-E, 3-B, 4-C, 5-A

Fill-in-the-Blank

1) Identical, 2) Price, 3) Perfect

Short Answer (Sample Responses)

Q1: Perfect competition maximizes both allocative and productive efficiency by ensuring that goods are distributed to meet consumer demand while being produced at the lowest cost.

Q2: Free entry and exit allow resources to flow to their most productive uses, maintaining competition and preventing inefficiencies.

Q3: Firms are price takers because there are many competitors offering identical products, leaving no room for individual firms to influence the market price.