
Perfect Information and Competition



Game Rules



- ❖ **4 person a group, each group of you represents an agency. You are recruiting famous singers to join your agency.**
- ❖ **But before you approach them, please rank your preference for the singers on the sheet. Please write down your group no. and give your favorite singer 7 marks; your second favorite singer 6, and so on.**
- ❖ **I will give you 2 minutes to do so.**

•T: In today's lesson, you will be the agencies of Hong Kong pop music singers. I will divide you into group of 4. Each group of you represents an agency. You are recruiting famous singers to join your agency. But before you approach them, please rank your preference for the singers on the sheet that I am giving out to you (teacher should input the names of the pop singers before printing Table 1 out. Distribute Table 1 to each group of students).

•T: There are 7 singers' names shown on the sheet. Please write down your group no. and give your favorite singer 7 marks; your second favorite singer 6, and so on. I will give you 2 minutes to do so.

Game Rules

- ❖ **We will have an auction to see which agency recruits whom.**
- ❖ **During the auction, any group who wants to call out a price must raise their plate.**
- ❖ **Teacher will record the highest bid price for each singer in column 2.**
- ❖ **“True/Market Value” in column 3 is the sum of the marks that all of you have given to each singer just now.**

•(After 2 minutes) Teacher collects all the sheets back. Ask one student to sum up the total marks given for each singer. He/she should not let any other students know about the result. This result becomes the “true/market value” of each singer on the list.

•Teacher distributes paper plate with group no. written on it to the corresponding group, and projects/posts Table 2 on board. Don't show the true/market value of the singers to the class at this moment.

Game Rules

- ❖ **If your bid price is lower than the singer's True/Market Value, then you will make a profit; but if your bid price is higher than the singer's True/Market Value, then you will lose .**
- ❖ **You do not have any information on the True/Market Value of any singers.**
- ❖ **You have unlimited amount of money that you can spend on this auction.**

•Teacher can set the bottom price yourself before each auction (that means the bottom price for each singer can be difference). After each auction, teacher reveals the True/Market Value of the corresponding singer and calculates the profit/loss of the bidding group.

Auction Starts



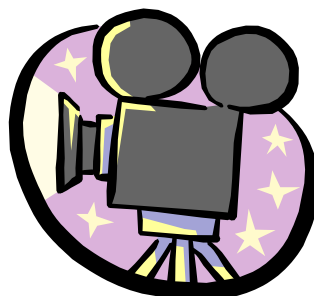
Debriefing



- ❖ **How did your group set the bidding price?**
- ❖ **Why didn't you set the price as low as possible?**
- ❖ **Can you think of how the price would be set if there is only one agency in the market?**

• Play this game again after debriefing (project/post a blank Table 2 on board). This time, the True/Market Value of each singer is shown on column 3. Students will auction again based on this information.

Second Round of Auction Starts



Debriefing



❖ **How did your group set the bidding price?**

❖ **Is there any difference in your behavior between these 2 rounds of game? What is/are the reason(s) behind?**

•After the game, Teacher elaborates more on how perfect information in perfect competition drives firms to earn only normal profit.

~ **The End** ~

