

## Teaching Plan

Title	Perfect Information and Competition (HKAL)
Instructional Objectives	➤ To illustrate how firms react differently under imperfect and perfect information. As a result of perfect information in perfect competition, firms earn normal profit in the long run.
Keywords and Concepts Illustrated	<ul style="list-style-type: none"> <li>➤ Perfect competition</li> <li>➤ Perfect information</li> <li>➤ Imperfect information</li> <li>➤ Normal profit</li> </ul>
Needed Time	➤ A single-lesson period, 40 minutes in total

Sessions	Details	Time Spent
Activity/ Announcement	<ol style="list-style-type: none"> <li>1. 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).</li> <li>2. 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.</li> <li>3. (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.</li> <li>4. T: What we are going to do now is to have an auction to see which agency recruits whom (Distribute paper plate with group no. written on it to the corresponding group). During the auction, any group who wants to call out a price must raise their plate.</li> <li>5. (Project/post Table 2 on board) T: I 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 (Don't show it to class</li> </ol>	<p>10 mins</p> <p>3 mins</p> <p>7 mins</p>

	<p>at this moment.). Of course you want to use a price below the True/Market Value to recruit the singers, in which you will make a profit. But if your bid price is higher than the singer's True/Market Value, then you will lose. The amount of profit/loss will be recorded in column 4. I am sorry that you do not have any information on the True/Market Value of any singers. I will only reveal this information to you after each auction. But you do have unlimited amount of money that you can spend on this auction.</p> <p>6. 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.</p> <p>7. Debriefing:</p> <p>7.1. How did your group set the bidding price?</p> <p>7.2. Why didn't you set the price as low as possible?</p> <p>7.3. Can you think of how the price would be set if there is only one agency in the market?</p> <p>8. Play this game again (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.</p> <p>9. Debriefing:</p> <p>9.1. How did your group set the bidding price?</p> <p>9.2. Is there any difference in your behavior between these 2 rounds of game? What is/are the reason(s) behind?</p> <p>10. Teacher elaborates more on how perfect information in perfect competition drives firms to earn only normal profit.</p>	<p>15 mins</p> <p>15 mins</p> <p>15 mins</p> <p>15 mins</p>
Tools	<ul style="list-style-type: none"> <li>➤ Print enough Table 1 to each group of students for 2 rounds.</li> <li>➤ Round paper plates with group no. written on it.</li> <li>➤ Transparency pens.</li> <li>➤ Transparency/powerpoint slides for drawing Table 2.</li> <li>➤ Overhead/LCD projector/flipchart paper for posting Table 2.</li> </ul>	
Variations	<ul style="list-style-type: none"> <li>➤ Instead of auctioning singers, other items can be used.</li> </ul>	

Definitions	<ul style="list-style-type: none"> <li>➤ Perfect competition – in perfect competition, there is a price for each good at which every buyer can buy as much as he or she chooses and every seller can sell all he or she wishes (Lam, 1996: 149).</li> <li>➤ Perfect information – firms and buyer are completely informed about the prices of the products of each firm (Parkin, 1996: 246).</li> <li>➤ Normal profit – is when the total cost equals total revenue (Lam, 1996:157).</li> </ul>	
References	<p>Author</p> <ul style="list-style-type: none"> <li>➤ Ms Pui-wah TANG of the Christian Alliance S. C. Chan Memorial College.</li> </ul> <p>Definition:</p> <ul style="list-style-type: none"> <li>➤ Lam, P. L., 1996, <i>Advanced Level Microeconomics: Illustrations</i> Macmillan Publishers (HK) Ltd</li> <li>➤ Parkin, M. 1996. <i>Economics</i> 3<sup>rd</sup> ed. (Addison-Wesley Publishing Company Inc.: USA).</li> </ul>	

<b>Appendix</b>	<b>Materials for Teacher</b>
Table 1	Singers Ranking Sheet
Table 2	Auction Record

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