



YouTube Title: “T-SHIRT WAR!! (stop-motion music video)” <http://www.youtube.com/watch?v=DKWdSct4jGE>

Video Length: 3:48 minutes

Chapter 8: The Competitive Firm, p. 164

Topic: Market Structure, p. 169

Key Terms: Competition, competitive pressure

Learning Objective 2: The characteristics of perfectly competitive firms.

Summary

Given the strong pressure to innovate and create a superior t-shirt design, Rhett and Link compete head-to-head.

Economic Application

This video illustrates the WSJ article that depicts the competitive pressure of the t-shirt shop industry at a Texas beach resort. “Every day you have to compete with other shops ... And if you invent something new, they will copy you.”

Competitive firms are under constant pressure to design a better mousetrap, i.e. a better t-shirt.

Multiple-Choice Question

Which of the following is NOT a characteristic of the t-shirt shop market?

- a) It is an example of a competitive market.
- b) The existence of profits induces entry.
- c) The existence of losses induces exit.
- d) In the long-run competitive market equilibrium, economic profit is eliminated.
- e) There are high barriers to entry.

Discussion Question

When economic profit is eliminated, will producers be left empty-handed?