

# Video Assignment (Perfect Competition)

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High School, Community College / Lower Division

Business and Communication, Social Science

## **SUMMARY:**

Video assignment related the economic concept of Perfect Competition using a CBS - 60 Minutes segment.

## **LEARNING GOALS:**

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To answer the question below, [Click here](#) to watch the CBS News - 60 Minutes segment about Lumber Liquidators.

Question:

Explain how Wall Street Hedge Fund manager Whitney Tilson expected that Lumber Liquidators was breaking the law using the economic concept of Perfect Competition. Be sure to explain economic the concept of Perfect Competition in your answer.

Answer:

Under Perfect Competition there are many buyers and sellers of similar or identical goods making firms price takers. Firms must accept the price determined by the market forces of supply and demand and have no ability to set price. In the long-run firms will only earn a normal profit. Hedge Fund manager Whitney Tilson noticed that Lumber Liquidators was earning economic profits in a commodity industry (perfect competition), leading him to believe the company was doing something fraudulent to elevate profits.