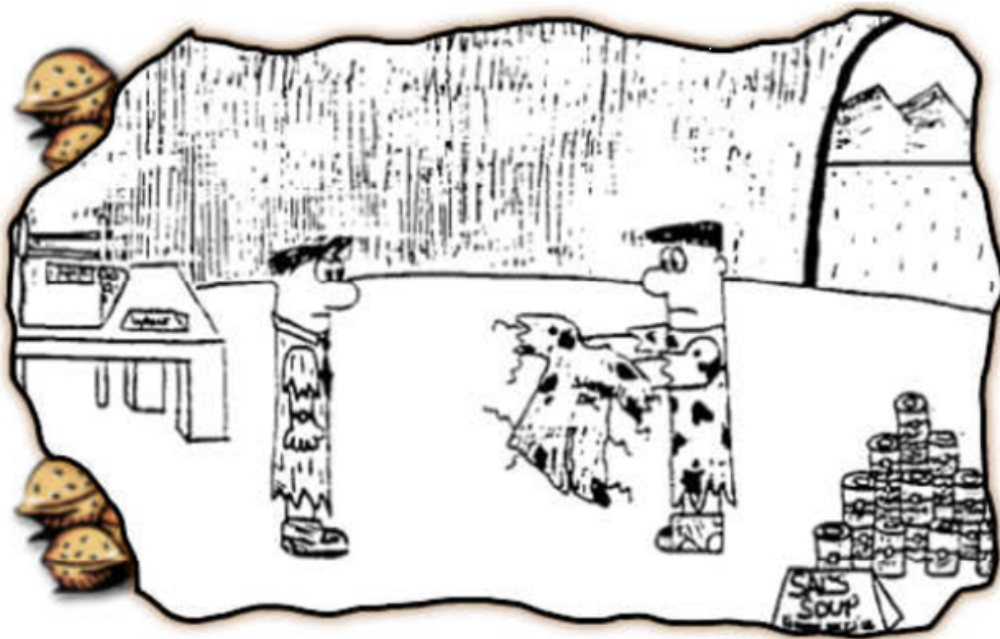


IF YOU CAN'T JOIN 'EM, BEAT 'EM

(Competition)



Since everyone needed shirts, and Shirley was the only shirtmaker in the valley, she was very prosperous. However, she began to spend more time relaxing, and put less effort into her shirts. One particular villager, Sheldon, was examining one of her shirts on a rack at Wallyworth's one day.

"You know something Wally?" he said, pointing at the several loose seams and the uneven fabric. "Shirley has

become really careless. I did much better than this before the division of labor, and I still can. Look at this shirt I've got on. I sewed it myself, and it's a hundred times better than Shirley's. Not only that, but Shirley charges such outrageous prices! I'd sell my shirts for half as much!"

Wally looked at the shirt Sheldon was wearing, which was indeed good quality. "You're right. Maybe you should have been the village's shirtmaker instead of Shirley. But I don't think she will quit."

"She won't have to," replied Sheldon. "I'm going to make shirts anyway. When the villagers see how much better my shirts are than hers, and how much cheaper they are, they'll start buying mine."

So Sheldon began to make shirts in competition with Shirley. In order to sell his shirts, Sheldon asked for fewer wood pieces. In addition, his shirts were of a much higher quality. The villagers thought that Sheldon's shirts were a better deal, and soon Shirley lost many of her customers.

"What can I do?" wondered Shirley. "I can't stitch as well or as quickly as Sheldon can. What I need is some way to improve my shirts."

That day, Shirley took many animal skins and began preparing them in different ways. She came up with many different styles, which could appeal to a wide variety of the

villagers. Even though Shirley continued asking the same amount for her shirts, some of the more fashionable villagers began buying her shirts again. They liked the fancy designs and the patterns she used. However, frugal consumers who wanted their shirts for as little as possible, continued to support Sheldon.

More and more of the villagers began to compete with other businesses. Hank competed with Herb in building and repairing huts. Shannon began to compete with Sean in the making of shoes. Even Wally began facing competition when other villagers started stores of their own.

However, not all competitions worked out well. One such example was the rivalry between Sean and Shannon. They both made shoes in essentially the same way, and it was hard to tell the difference between a shoe made by Shannon and a shoe made by Sean. The only way they could make enough money was to ask for fewer wood pieces than the other was asking. If Sean would ask for six, then Shannon would ask for four. Soon, it became evident that they would not be able to survive in this way. One day, Shannon approached Sean with a new concept.

"This competition is hurting us both," said Shannon. "Suppose you and I make shoes together! We can make all of the shoes for the village. If the villagers want shoes, they will have to buy them from us, and we don't have to

keep lowering our prices to compete with each other."

The shoemakers were happy, but the villagers were not as pleased about the arrangement. Shoes suddenly got a lot more expensive! Yet it seemed fair, because of the law of supply and demand. If Sean and Shannon decided to charge TOO much for shoes, people could go back to making their own or just going barefoot.

But two brothers in particular, Greg and Gary, were disturbed by this situation. They noticed that whenever someone tried to make shoes in competition with S&S, they would lower their prices for a short period of time or work harder to make higher quality shoes...just long enough to drive the competition out of business. Then they would raise their prices again, or start being sloppy. This monopoly was a source of great wealth for the two shoemakers, but it didn't seem to help the village.
