Chapter 10

The Meaning of Freedom and of Freedom of Competition

_______1. According to the rational concept of freedom,

a. freedom means the absence of the initiation of physical force—in particular, on the part of the government
b. viewed in a positive light, freedom is the freedom to do whatever one is otherwise capable of doing, unconstrained by the initiation of physical force
c. the inability to perform logical contradictions, to violate the laws of mathematics or of nature, or to resort to physical force against others without fear of apprehension and punishment are not violations of freedom
d. all of the above

_______2. According to the anarchic concept of freedom,

a. freedom is the ability to do whatever one may wish to do
b. is violated by obstacles that stand in the way of the realization of one's desires
c. both (a) and (b)

_______3. According to the anarchic concept of freedom, "freedom of competition"

a. is violated by the existence of high capital requirements that most people cannot meet
b. is violated by the need for technological knowledge and managerial skills that most people do not possess
c. would be promoted if goods could be produced in simple barn-like structures rather than in costly modern factories
d. would be promoted if the level of technological knowledge and managerial skill required were within the range of all, or at least of the majority of people
e. all of the above

_______4. High capital requirements

a. constitute a violation of the freedom of competition
b. exist as the result of the freedom of competition
c. are the result of the fact that other producers in the industry, who are probably using large amounts of capital in their operations, are charging low prices; their low prices necessitate that to be profitable, one must have low costs of production, which, in turn, are achieved by the employment of large sums of capital
d. all of the above
e. none of the above
f. (b) and (c) but not (a)

_______5. According to the political concept of monopoly,

a. monopoly is a market, or part of a market, reserved to the exclusive possession of one or more sellers by means of the initiation of physical force by the government, or with the sanction of the government
b. monopoly exists insofar as the freedom of competition is violated, with the freedom of competition being understood as the absence of the initiation of physical force as the preventive of competition
c. where there is no initiation of physical force to violate the freedom of competition, there is no monpoly
d. the freedom of competition is violated only insofar as individuals are excluded from markets or parts of markets by means of the initiation of physical force
e. monopoly is something imposed upon the market from without—by the government
f. all of the above

_______6. According to the

a. political concept of monopoly,
b. the economic concept of monopoly,

monopoly is something which emerges from the normal operation of the economic system, and which the government must control.

_______7. The political concept of monopoly is the corollary of the rational concept of freedom in general and the rational concept of the freedom of competition in particular.

_______8. According to the political concept of monopoly, monopoly is, as it was originally understood to be, an exclusive grant of government privilege, such as was extended by English monarchs in earlier centuries to the British East India Company and to various guilds of producers or merchants.

_______9. According to the original meaning of monopoly, the British East India Company was a monopoly because

a. it was the only company conducting trade between England and India
b. it was the only company legally allowed to conduct trade between England and India

_______10. According to the political concept of monopoly, leading present-day examples of monopoly are

a. exclusive government franchises
b. licensing laws
c. tariffs
d. minimum-wage and prounion legislation

e. government-owned and government-subsidized enterprises
f. the antitrust laws
g. all of the above

_______11. Examples of exclusive government franchises have included, and for the most part still include, electric, gas, and water service, cable television, local telephone service, and, in many localities, local bus service.

_______12. Exclusive government franchises constitute monopolies according to the political concept of monopoly, because they reserve markets to the exclusive possession of the holders of the franchises, and do so by means of the government's initiation of force.

_______13. What is essential to the monopoly constituted by exclusive government franchises is the fact that
a. there is only one seller
b. the market is reserved to the exclusive possession of that seller by means of the initiation of physical force

_______14. For many years, Alcoa was the only supplier of aluminum ingot in the United States. Nevertheless, according to the political concept of monopoly, this fact did not make Alcoa a monopoly

_______15. What made it possible for Alcoa to be the sole supplier of aluminum ingot was
a. its ability and willingness to produce and sell its aluminum at prices that were profitable to it, but yet too low for any potential competitor to be profitable
b. the initiation of physical force on its behalf by the government.

_______16. If the freedom of competition resulted in only one electric or gas company supplying a given area, that would not make that company a monopoly according to the political concept of monopoly.

_______17. Under the freedom of competition, in order for a company to be the sole supplier of gas or electricity, it would have to offer its customers lower rates and than any other supplier offered and would almost certainly have to offer its customers contractual guarantees concerning its rates, so that they would not have to fear temporary arbitrary increases in the period in which competitors did not yet have the time required to enter the field.

_______18. Exclusive private franchises, such as McDonalds, are not monopolies according to the political concept, because granting them represents merely the choice of private property owners to decide who is and who is not to receive the use of their property, whereas the government, as the agent of the people—of each and every person equally—and properly having no property of its own whose use it can give or withhold, in denying anyone the right to undertake an economic activity simply initiates the use of force.

_______19. Licensing laws create monopolies by virtue of initiating force to reserve markets to the exclusive possession of the license holders.

_______20. Examples of monopolies created by licensing laws are the occupations of
a. accountant
b. barber
c. beautician
d. constructrion contractor
e. dentist
f. lawyer
g. liquor store owner
h. optician
i. pharmacist
j. physician
k. psychologist
l. teacher
m. taxicab driver
n. all of the above

_______21. Only the holders of the licenses are legally allowed to pursue the field in question. All others are excluded by means of the initiation of physical force.

_______22. The fields controlled by licensing laws are monopolies even though they contain numerous sellers, because they reserve markets to the exclusive possession of the license holders by means of the initiation of physical force and thereby keep out of those fields suppliers who otherwise would be in them—suppliers with whom the public would be glad to deal voluntarily, without any form of force or fraud being present.

_______23. The effect of licensing-law monopoly is to
a. reduce the quantity of services received by the buyers
b. raise the prices of the services buyers are allowed to receive
c. raise the incomes of the license holders
d. reduce the incomes of those who are excluded from the licensed fields and forced to crowd into other, less-well-paying fields
e. all of the above

_______24. Licensing laws are defended on the grounds that they are necessary to public health or safety and to guarantee some minimum level of competence and service.

_______25. It may be the case that licensing sometimes does serve to raise the minimum level of competence and expertise in a field and thus to guarantee to the buyers a higher level of service than they would have received in its absence. But even if this is true, it is not by any means an advantage to the buyers. It merely means, in many cases, that buyers are forced to buy a higher level of service than they want or need and, if they cannot afford the higher level of service, are forced to do without the service they could have had.

_______26. The effect of a licensing law that raises the minimum level of service that can be provided is comparable, in essence, to a law that would require that the minimum quality of automobiles on the road be no less than, say, that of a five-year-old Chevrolet of average quality. While such a law would undoubtedly raise the average quality level of the cars that remained on the road, it would also operate to prevent many people from driving—namely, those who could not afford anything beyond the quality of the cars they presently drove and whose cars were below the quality of the average five-year-old Chevrolet.

_______27. The effect of liberalizing or abolishing medical licensing would be to

a. increase the ability of the poor to afford medical care by increasing the supply of medical care availale on the low end of the scale
b. reduce the demand for and thus the rates of medical practioners further up on the scale of service to the extent that their patients turned to practitioners previously denied entry into the market
c. increase the ability of everyone to afford the services of the more highly qualified medical practitioners
d. all of the above

_______28. In the absence of medical licensing,

a. it would not be the case that barbers and butchers would be able to compete as doctors, any more than they can compete in the automobile or steel industry
b. competition would establish educational, performance, and other requirements
c. it would still be fraud to claim a degree, or any other form of private certification, that one did not have
d. new competition in medicine would come from people who today must be content to be registered nurses, pharmacists, paramedics, biologists, and so forth, but who could become qualified to practice important aspects of medicine presently monopolized by the licensed physicians, and do so with a high degree of competence
e. all of the above

_______29. A free market would meet the legitimate objectives of licensing laws by such means as private certification, insistence on an established reputation or on endorsements from those with established reputations and whose judgment one trusted.

_______30. The advantage that the absence of government licensing would offer to individuals that is not possible under such licensing is that

a. the supply of the service would be greater and the price correspondingly lower
b. not only would there almost certainly be more than one private certification agency in any given occupation, but the individual would always have the right to step outside the system and decide entirely for himself
c. no one would be compelled to accept the judgment of government officials or of any other group of people concerning the products or services he might buy
d. there would permanently be more chances for new ideas being tried, and thus improvements would come far more rapidly than is possible today
e. it would not be necessary that before trying a new cure for a disease, or a new method of constructing a building, a person would have to wait upon the pleasure of any group of government officials to approve it or depend exclusively on their state of knowledge
f. all of the above

_______31. The existence of freedom carries with it the possibility that people will make wrong and even foolish choices. But there is no alternative. That possibility exists with or without freedom. The great advantage of freedom is that each individual has the right to make his own choices and need not be bound by the ignorance or stupidity of others.

_______32. It is no doubt true that under the freedom of competition, some individuals would act irresponsibly and at the first opportunity turn to quacks. The existence of such people, however, is no reason for denying freedom to everyone else, who would use it to great advantage. Moreover, under freedom, stupidity of choice serves as its own punishment.

_______33. If the misuse of freedom by the ignorant and the foolish is what is feared, then a better case can be made for the licensing of politicians and government officials than of doctors or the members of any other profession or trade. This is because here, when people turn to charlatans, the consequences are suffered by all. But, of course, there can be no such thing as the licensing of politicians and government officials, for who would license them, but other politicians and government officials? And what could be more dangerous than to allow politicians and government officials to have such power?

_______34. The premise of a free country is that the citizens are intelligent enough to run their own affairs and, in the time left over from their own affairs, the affairs of their government as well. Citizens who are not qualified to pass judgment on the qualifications of their doctor or building contractor (or on the qualifications of the experts whose advice they accept) are even less qualified to pass judgment on matters of foreign policy or domestic policy.

_______35. In the light of the uniformity-of-profit principle, it follows that if licensing requirements and other government regulations in connection with the establishment and operation of hospitals were abolished, the cost of hospital stays would be driven down to the point of covering only the necessary costs of providing the hospital stays plus only as much profit as required to earn a competitive rate of profit, and that the necessary costs would be progressively reduced while the quality of the stays progressively improved.

_______36. Under the influence of the anarchic concept of freedom, many people's idea of the right to medical care is that of an alleged right which is to be implemented without regard to the willingness of others to cooperate. The government is to take money from the taxpayers, at the point of a gun, to implement this alleged right to medical care and it is to hold a gun to the heads of physicians and hospitals to make them supply medical care on the terms and by the methods it imposes.

_______37. In contrast to the anarchic concept, the meaning of the right to medical care implied by the rational concept of freedom is that of the right to all the medical care one can afford to buy and chooses to buy from any willing provider.

_______38. The present high cost of medical care is the result of

- a. the violation of the right to medical care understood in the light of the rational concept of freedom,
- b. collectivization of the costs of medical care
- c. compelling some individuals to pay for the medical care of others
- d. implementation of the anarchic concept of the right to medical care
- e. all of the above

_______39. Protective tariffs constitute monopoly legislation according the political concept of monopoly, because they attempt to reserve the market, or a share of the market, to the exclusive possession of domestic producers, by means of the initiation of force.

_______40. Protective tariffs and licensing laws highlight the fact that monopoly, according to the political concept,

- a. is not limited to the case of sole producers protected by the initiation of physical force
- b. applies equally to cases of very large numbers of producers whose market is protected by the initiation of physical force
- c. can serve to protect tens of thousands of small, inefficient producers against competition
- d. exists wherever markets or parts of the market are reserved to the exclusive possession of some to the exclusion of others by means of the initiation of force
- e. correspondingly denies the freedom of competition to those who are forcibly excluded
- f. all of the above

_______41. Monopoly legislation can protect the less efficient many against the competition of the more efficient few, or even just one, as, for example, in the case of protecting large numbers of individual taxicab owners from the potential competition of a small number of large fleets of taxicabs, or protecting large numbers of small shops from the competition of small numbers of large department stores and chain stores.

_______42. Monopoly exists, and the freedom of competition is violated, not because there happens to be just one seller in a market when all have the legal right to enter, but when there are millions in the market and all *but one* are allowed to enter, with that one otherwise able and willing to enter. For example, a monopoly would exist in the automobile market even if it were comprised of thousands of small automobile companies and everyone in the world were allowed to enter it with the single exception of the original Henry Ford. Such exclusion of Ford would constitute a monopoly, in violation of the freedom of competition.

_______43. Minimum-wage and prounion legislation operate to

- a. prevent less-efficient workers from competing with more efficient workers in terms of labor cost per unit by preventing them from compensating for their lower productivity by means of accepting correspondingly or more-than-correspondingly lower incomes
- b. attract the competition of relatively more skilled workers to the field
- c. exclude the less able and the disadvantaged from the market
- d. monopolize markets in favor of more-skilled workers
- e. all of the above

_______44. In creating a deficiency in quantity of labor demanded in relation to the supply of labor available and thus an artificial surplus of workers and the necessity of choosing among them, minimum-wage and prounion legislation create an opportunity for the play of such factors as personal favoritism, cronyism, and racial and other forms of group prejudice. This is because, with the ability to compete by means of lower wage rates eliminated, wherever there are no discernible differences in skill among the applicants for jobs, it is such factors that tend to determine the decision of who will be employed.

_______45. Minimum-wage and prounion legislation have had particularly harmful effects on blacks, especially teenagers, and have often resulted in lifelong unemployment and welfare dependency.

_______46. Governmental actions that serve to increase housing costs are

- a. zoning laws that impose minimum size lots or a maximum height of buildings
- b. building codes that mandate expensive provisions that are not essential
- c. the compulsory withdrawal of land from development
- d. compelling home builders to deal with labor unions and thus to suffer the artificially high wage rates and inefficiencies imposed by the unions

e. rising property taxes
f. rent controls, insofar as they serve to reduce the supply of housing available for the market
g. urban renewal
h. all of the above

_______47. The governmental actions described in the preceding question, when combined with high government-imposed minimum housing standards for health and safety, serve to cause homelessness.

_______48. Government-imposed minimum housing standards on a local basis have the unintended effect of worsening the housing conditions of the poor elsewhere by virtue of pushing more of them into the areas that remain free of such housing standards.

_______49. Government-owned and government-subsidized enterprises represent monopolies, according to the political concept of monopoly, in that their markets are reserved to them by means of the initiation of force against the taxpayers who must finance their operations.

_______50. Competitors of government-subsidized enterprises cannot gain their markets even if they are more efficient and offer better products, for the subsidized enterprises are enabled to sell their products at a loss, and even to give them away free of charge.

_______51. Public education represents monopolization of a major part of the education market against the competition of private education.

_______52. What public education accomplishes is that education is supplied without the benefit of the incentive of profit and loss in an environment of freedom of competition.

_______53. If education had to operate prvately, and thus in the same basic economic context as the automobile industry or grocery business,
a. a powerful incentive would exist to improve quality and reduce costs, because this would be the way to increase profits
b. any school or chain of schools that introduced any perceptible improvement in education would have a substantial increase in its profits, because it would be giving students and their parents more for their money and thus they would want to deal with it, not its less efficient competitors
c. if any school or chain of schools succeeded in cutting its costs and could operate profitably at a lower level of tuition, it would also enjoy a large expansion in business, as a larger part of the market came to prefer to deal with it, because its tuition charges were now lower than its competitors'
d. in response to the competitive pressure of the loss of business to the schools which improved their quality and efficiency, all the other schools would be compelled to improve their quality and efficiency, or else be driven out of business
e. as the schools in the group just described caught up, it would no longer be possible for the schools that had introduced the improvements to continue to make exceptional profits; to go on making exceptional profits, they would now have to introduce further improvements, with the same ultimate results
f. the uniformity-of-profit principle and its effects would apply to education
g. the basis would exist for continuous improvements in quality and efficiency, for the benefit of the buying public
h. all of the above

_______54. Under public education,
a. there is no incentive of profit and loss
b. there is little or nothing to be gained by introducing improvements
c. there is little or nothing to be lost in failing to match any improved performance of others
d. a loss of students, whether it results from an improvement in the performance of other schools or from a decline in the performance of one's own school, does not mean a loss out of the school superintendent's pocket or out of the pocket of anyone who sits on the local school board
e. all of the above

_______55. The position of private education today, and that of education as a whole, is analogous to what the position of the automobile industry would be if the production of all the low- and medium-priced models were in the hands of the government, which subsidized their production to the point of giving these models away for nothing—indeed, of compelling every adult to accept one for nothing—while the privately owned portion of the automobile industry were confined to the production of very expensive models, and essentially prohibited from cutting its costs.

_______56. The system of public education
a. in making it impossible for private schools to be commercially successful, prevents all those improvements in quality and efficiency from coming into being that would take place in education under the competitive quest to make profits and avoid losses, and which would eventually bring a much higher quality education within the reach of all than is now available even to the wealthiest
b. precludes any significant competitive barrier to deterioration in the education the public schools themselves offer
c. has the potential to decline in quality all the way to the point where it becomes clear to most people that what it offers is no longer worth even a zero price
d. all of the above

_______57. According to the political concept of monopoly, the antitrust laws
a. prevent capable newcomers from entering an industry—for example, they would almost certainly operate to prevent General Motors from entering the steel industry in any significant way

b. prevent the capable firms within an industry from acquiring the markets of the less capable ones by absorbing them in mergers, by buying them out, or by driving them out
c. reserve markets to the exclusive possession of all but those who in a state of freedom of competition would occupy them
d. monopolize markets precisely against the most capable and efficient firms, which, in their absence, would be able to be in those markets, and which instead, because of their existence, are today forcibly excluded from them
e. constitute promonopoly legislation
f. all of the above

_______58. Socialism represents the most extreme form of monopoly in that the government of a socialist society forcibly appropriates all the means of production and thereafter forcibly reserves the entire market of its country to its own exclusive possession.

_______59. The effect of monopoly is often to enable high cost producers to survive, rather than securing exceptionally high profits for anyone.

_______60. The monopolies made possible by tariff protection, government subsidies, and the antitrust laws often do not result in any exceptional profitability on the part of the monopolists.

_______61. Patents on new inventions, copyrights on books, drawings, musical compositions, and the like, and trademarks and brandnames
a. reserve markets, or parts of markets, to the exclusive possession of the owners of the patents, copyrights, trademarks or brandnames, and they do so by means of the use of physical force inasmuch as it is against the law to infringe on these rights
b. do not rest on the *initiation* of physical force, because in all of these cases, the government stands ready to use physical force merely in defense of a preexisting property right established either by an act of personal creation or by the fact of distinct identity
c. do not constitute monopolies
d. all of the above

_______62. The existence of patents and copyrights, and trademarks and brandnames,
a. like all other protection of property rights, serves to increase the supply of goods and services—by making it possible for those who are the cause of the increase to benefit from the improvements they make
b. serves to reduce prices and to increase everyone's buying power as time goes on.
c. both (a) and (b)

_______63. The long-run effect of the abolition of patents and copyrights would be to make prices higher than they otherwise would be, because of a substantial reduction in new inventions, since no one would invest years of effort and perhaps millions of dollars of capital in the development of a new invention only to find that as soon as he brought it to market, a competitor who purchased a working model would have the benefit of all that effort and capital just for the price of the working model, and that he, the innovator, would probably be unable to profit from his efforts because of the rapid fall in the price of the product that would follow in such a situation.

_______64. The abolition of patents and copyrights would serve to establish the monopoly of the dull and incompetent by forcibly depriving the intelligent and competent of the benefit of their intelligence and competence, and thereby forcibly excluding them from the market.

_______65. The abolition of trademarks and brandnames would result in producers losing the incentive to increase or even maintain the quality of their goods, inasmuch as their goods would be rendered indistinguishable from those of everyone else, and consumers would thus have no way of singling them out for purchase.

_______66. According to the political concept of monopoly,
a. all monopoly is based on government intervention, which restricts the freedom of entry and competition
b. the significance of monopoly is that it forcibly bars from the market sellers who would otherwise be capable of being in the market and thus restricts the range of choice buyers have in suppliers and compels them to deal with less efficient suppliers and to accept higher costs and poorer quality than a free market would require them to accept
c. both (a) and (b)

_______67. It follows from the political concept of monopoly, that the program of the announced enemies of monopoly should not be, as it has been for many years, the breakup of big business or the government's growing control over big business. Rather, it should be the progressive elimination of government intervention into the economic system.

The Economic Concept of Monopoly

_______68. The economic concept of monopoly
a. is in sharpest contrast to the political concept of monopoly
b. holds that monopoly emerges from the normal operation of the economic system—not on the basis of the initiation of physical force, but on the basis of mere economic circumstances, and that it

nonetheless produces evils of such magnitude that the government must suppress or control it by means of force
c. claims that monopoly exists whenever there is only one supplier of a given good in a given territory
d. views the essential feature of monopoly as the "oneness" of the seller, irrespective of how he has achieved his position
e. all of the above

_______69. The economic concept of monopoly can be construed in such a way that it embraces hardly anything or almost everything.

_______70. The existence of monopoly
a. was viewed as minimal before the 1930s
b. has been viewed as almost all pervasive since the 1930s
c. both (a) and (b)

_______71. The concepts of "oligopoly" and "monopolistic competition" have served to greatly enlarge the perception of the prevalence of "monopoly."

_______72. "Oligopoly" is supposedly characterized by the existence of a relatively small number of sellers in a given market.

_______73. Depending on the circumstances, an oligopolist is held to behave either exactly as a "monopolist" would behave in terms of the price he charges and the output he produces, or to occupy some middle ground between a monopolist and a "pure competitor."

_______74. The concept of "monopolistic competition"
a. is supposed to describe cases in which there are a large number of sellers of only slightly dissimilar products
b. implies that an element of monopoly is present to whatever extent one product is *different* from another
c. claims that the unique elements of a product constitute its "monopolistic" aspect
d. all of the above

_______75. The concept of "monopolistic competition" views companies such as Pepsi Cola and Coca Cola as
a. competitors
b. monopolists
c. both (a) and (b)

_______76. Full-bodied competition—viz., "pure–and–perfect competition"—is now held to exist only as a rare exception.

_______77. The essential requirements for the existence of pure–and–perfect competition are the existence of a vast number of sellers all selling perfectly identical, homogeneous products.

_______78. The acceptance of the contemporary theory of the comparative extent of monopoly and competition has led to a rewriting of economic history to account for the fact that competition was traditionally considered to be the norm.

_______79. Despite the fact that after the Civil War fewer producers remained in many branches of industry, there was nevertheless an increase in the number of producers in actual competition with one another.

_______80. The alleged consequences of monopoly range from the most dire and extreme, in the form of the specter of a single giant firm coming to own the entire economic system, to what must be regarded as absolutely trivial, in the form of the pure-and-perfect-competition doctrine's criticism of big business as being monopolistic merely for refusing to sustain unnecessary losses.

_______81. The doctrine of the tendency toward the formation of a single giant firm controlling the entire economic system
a. played a major role in the doctrine of the alleged inevitability of socialism, inasmuch as the giant firm was regarded as representing the creation of the structural framework of a socialist society and differing from socialism only in the motivation and character of its board of directors
b. played a major role in support for antitrust legislation, in part in the belief that it was necessary to prevent the coming of socialism
c. contradicts the essential nature of the gains derived from the division of labor
d. all of the above

_______82. The only place that centralized control over all the means of production has been established was under socialism, by means of force, and was perpetuated only by means of force and in opposition to the actual material self-interests even of the members of the various socialist regimes.

_______83. The experience of socialism confirms the fact that monopoly is a political phenomenon, not an economic phenomenon.

_______84. The phenomenon of bad mergers and the subsequent need for spinoffs and breakups confirms the fact that there is no tendency toward the formation of a single giant firm under capitalism.

_______85. The formation of conglomerates, containing separate divisions each with its own management, would not be a feasible means of overcoming the conflict between a megacombine and the essential gains from the division of labor, because a businessman with confidence in his own ability to succeed in an industry he knows and understands, and in which his income is determined exclusively by his own success or failure, would not be willing to exchange such a position for one in which he receives a much smaller share of the profits of a conglomerate, which are the outcome of the success or failure of many others, whom he is unlikely to consider as capable as himself.

The following is a two-part question.

Imagine an industry composed of 10 firms, each presently doing 10 percent of the industry's business, and owned by individuals each of whom expects that under his management his firm will grow to the point of doing 50 percent of the industry's business.

_______86. Calculate the percentage of the merged company's stock that would have to be given to the owners of the ten fimrs to compensate them for the loss of what they believe they would have by remaining independent.

_______87. It is not possible to merge such firms, because it is impossibled to make the merger appear worthwhile in comparison with the anticipated gains from remaining independent.

_______88. Successful mergers, by increasing the capital of the particpants, serve to provide the basis for the formation of new firms, if not in the industry where a given merger occurs, then in other industries.

_______89. The continuous formation of large numbers of new firms, some of which grow to considerable size serves to keep the proportion of the total capital of the economic system in the hands of the merged firms from growing.

_______90. A major potential source of the formation of new firms in virtually every industry is key executives of the existing firms who believe that they could do better on their own. If not for the personal income tax, such executives would be able to accumulate far more personal wealth in their present positions. In the absence of restrictions on stock trading based on "inside" knowledge, their accumulations of personal wealth would be greater still. In such conditions, it would be possible to start even new domestic automobile and steel companies requiring an initial investment of a billion dollars or more.

_______91. The tax laws have encouraged uneconomic mergers as a means of reducing corporate and personal tax liability.

_______92. The effect of insider trading based on advance knowledge of a development that is favorable to a company is

a. to enable stockholders who have decided to continue to hold the stock to gain that much sooner

b. to induce some stockholders who were planning to sell the stock, upon seeing the rise caused by the insiders' buying, to hold it instead and thus to enjoy gains they would otherwise not have had

c. to enable stockholders who have made up their minds to sell their shares to sell them at a better price, thanks to the demand for them coming from the insiders

d. all of the above

_______93. If the insiders sell in advance on the basis of their inside knowledge of negative developments (which they themselves have done nothing to cause), they are not responsible for the loss that is suffered by those who continue to hold the stock, because that loss would come in any case, when the bad news finally became public knowledge.

_______94. In the absence of insider selling, the decline in price would come more precipitously and dramatically, rather than being preceded by declines caused by the insiders' selling.

_______95. Insiders' selling and the lower stock price it causes can provide a clue to other stockholders to begin selling and to potential buyers to abstain from buying. Those who decide to buy in any case, are enabled to buy at a lower price.

_______96. If the gains of the insiders, who know what they are doing, must be transferred to those who do not, the latter will not be able to keep those gains for very long. For they will have no basis on which to argue for the retention of their unearned, accidental gains from society as a whole. If knowledge is not an adequate basis for earning a profit that others do not earn, the mere accident of owning the right stock at the right time can hardly be such a basis.

_______97. Mergers are economically sound

a. when they achieve economies of scale

b. in cases in which companies carry complementary product lines, which can easily be sold by the same sales force

c. when they achieve important economies in connection with advertising expenditures and/or the raising of capital

d. when they enable more competent individuals to gain control over the management of additional capital, as when a better-run firm gains control of the assets of a poorer-run firm

e. all of the above

The following is a two-part question.

_______98. Imagine that in a small-scale plant, manufacturing cost is \$10 per unit of product, while in a large-scale plant, thanks to economies of scale, manufacturing cost can be brought down to only \$1 per unit, provided the facility operates at a sufficient percentage of its capacity. Assume that initially, however, transportation costs are 50¢ per mile per unit. Calculate how many miles closer to the market a small-scale plant needs to be to have an advantage in total, delivered cost over the large-scale plant.

_______99. Assume now that major improvements in the transportation system reduce transportation costs in the preceding example from 50¢ per mile per unit to 1¢ per mile per unit. Calculate how many miles closer to the market a small-scale plant now needs to be to have an advantage in total, delivered cost over the large-scale plant.

_______100. In the post–Civil War era, major improvements in transportation, notably the large-scale building of railroads and the development of steam-powered iron and then steel ships, brought about major reductions in transportation costs, which gave a competitive advantage to large-scale manufacturing over small-scale manufacturing and thereby created the need for widespread mergers.

_______101. In the period following the Civil War, corporate law did not immediately provide a mechanism whereby one corporation could be combined with another one. The trusts were a device for accomplishing that purpose.

_______102. Under a trust arrangement, the stockholders of separate corporations turned their shares over to trustees, who then had the power to vote the shares and run the corporations. By assembling the shares of two or more corporations in the hands of the same trust, it was possible to operate the corporations as a single unit and thus achieve a merger.

_______103. Between 1870 and 1914, the era of trust-building and the development of big business,

a. the resulting monopoly power resulted in widespread declines in production and increases in prices
b. production in the industries controlled by the trusts rapidly increased and prices fell

_______104. The 1911 Supreme Court decision that broke up Standard Oil sharply criticized that company for raising the price of petroleum and reducing its quality.

_______105. The Supreme Court broke up Standard Oil

a. because of the harm that company had caused
b. despite the good it had achieved

The Predatory Pricing Doctrine

_______106. The predatory-pricing doctrine claims that a large firm, because it is big and rich, and possibly operates in many different markets at the same time,

a. can afford losses which a small firm cannot, because the latter is small and poor
b. finds it to its interest temporarily to slash its price and sell at a loss, in order to force the small firm out of business
c. will be able, after it has driven its small competitors out of business, to raise its price to a higher level than ever before
d. will be able to keep new competitors out by their fear of being ruined by a repetition of predatory-price cutting
e. can succeed in unconscionably gouging the helpless public, which, in simple innocence, has taken the large firm's lure of a temporarily lower price
f. all of the above

_______107. The influence of the predatory-pricing doctrine serves to make people regard all the achievements of big business in reducing prices and improving quality as having no reality, but as being merely a prelude to a subsequent price gouge.

_______108. The attempt to practice predatory pricing will result in increasing the price received by the intended target rather than decreasing it if the lower, predatory price attracts a new and additional quantity demanded which, because of a lack of productive capacity on the predatory firm's part, must be met with supplies that are now made unavailable for satisfying the firm's regular quantity demanded. In this case, the item actually becomes scarcer for the firm's regular customers, and they will now have to turn to the smaller firm, where their competition will actually drive up the price.

_______109. In order for a firm practicing predatory pricing to be able to succeed in imposing a lower price on the intended target,

a. it must possess sufficient additional productive capacity to meet any resulting expansion in quantity demanded at the lower, predatory price
b. and then, if it should actually succeed in closing down the small competitor and thereupon raise its price, which is its presumed plan, it must continue to maintain this additional capacity, even though it no longer uses it in production, as a means of imposing low prices on potential new entrants
c. the amount of additional capacity necessary to impose the predatory price will be increased to the extent that the prospect of a small competitor's entry followed by a plunge in price leads people to postpone their purchases until such time as the small comopetitor's entry occurs
d. it must go to considerable expense
e. all of the above

_______110. If it were the case that as soon as the small competitor is driven out, the large firm can sharply increase its price, while so long as the small competitor remains in business the price is held below the level of his costs, the interests both of the industry's suppliers and of the producers of goods complementary to is products would lie with subsidizing the continued existence of the small competitor, as the means of maintaining the demand for their products.

_______111. If it is the case that the large, predator firm, which has succeeded in becoming the sole supplier and presently obtains a high price, will slash its price as soon as it is confronted with a small, competing firm, people are placed in a position in which they can use that very knowledge to

a. sell short the commodity the predator sells and profit from the fall in price that will result
b. sell short the stock of the predator company, which will fall when its price and profitability fall
c. profit precisely by forming small competing firms against whom the predator will slash price
d. all of the above

_______112. To the extent that the predatory big and rich firm is larger in the same market, it must take the price cut and the resulting loss on a correspondingly larger volume than the small and poor firm. This is because it cannot cut the price only to the customers of the small firm, because that leaves the small firm free to cut price by a much smaller amount to an equal number of customers of the large firm. If the small firm is not to be able to sell to anyone except at the low price imposed by the large firm, the large firm must make that low price available to all of its own customers as well as to the customers of the small firm.

The following is a seventeen-part question.

The price of a product is $1. There are only two producers: "Big John" and "Little Joe." "Big John" currently produces and sells 9 units of the product, while "Little Joe" currently produces and sells only 1 unit of the product. The unit cost of both producers is 90¢.

_______113. Calculate the sales revenues of "Big John."

_______114. Calculate the total costs of "Big John."

_______115. Calculate Big John's total profit.

_______116. Calculate the sales revenues of "Little Joe."

_______117. Calculate the total costs of "Little Joe."

_______118. Calculate Little Joe's total profit.

Now imagine that in order to make Little Joe suffer a loss and thus drive him out of business, Big John slashes his price from $1 to 80¢.

_______119. Calculate Little Joe's loss.

_______120. Calculate Big John's loss.

_______121. Find the number of times by which Big John's loss is greater than Little Joe's loss.

Now assume that Big John's cost per unit is less than Little Joe's, i.e., while Little Joe's cost per unit continues to be 90¢, Big John's cost per unit is only 80¢.

_______122. Again calculate Big John's total profit when the selling price is $1.

_______123. Calculate Big John's total profit when the selling price is 80¢.

_______124. Calculate the amount by which Big John's profit is reduced by his practice of predatory price cutting.

_______125. Find the number of times by which the reduction in profits experienced by Big John is greater than the reduction in profits experienced by Little Joe.

_______126. The fact that the large firm may have lower unit costs than the small firm does not change the principle that its profit reduction is a multiple of the smaller firm's profit reduction to the extent that its volume in the same market is greater.

Now assume that Little Joe's cost per unit is only 80¢, while that of Big John remains at 90¢.

_______127. Calculate the reduction in Big John's profit needed to make make Little Joe's profits go from +20¢ to -10¢.

_______128. Calculate the size of the loss Big John now needs to suffer in order to impose a 10¢ on Little Joe.

_______129. The implication of the preceding questions is that the small firm can be in a better position to withstand its relatively smaller losses than is the large firm to withstand its multiple losses.

_______130. Practicing predatory pricing would necessitate setting one's price below the target's operating costs, not his total costs, and then keeping them there for the life of his plant and equipment. Only this would serve to keep his plant and equipment out of operation.

_______131. Neither sustaining losses or major profit reductions for years in order to drive out one's small competitors, nor buying out the small competitors at premium prices, can actually pay, because

a. both methods imply that later on, once Little Joe's capacity is out of the way by one method or the other, it is absolutely necessary for Big John to charge a premium price merely in order to recoup the reduction in profits he has sustained or the premium price for Little Joe's assets that he has paid
b. but any premium price he charges in the future, after Little Joe's capacity is out of the way, will only serve to attract new competitors, to whom the premium price will offer the prospect of a premium rate of profit
c. because of its highly self-destructive nature, and for all of the other reasons explained, these competitors cannot be kept out by the fear of still more predatory pricing
d. all of the above

_______132. The permanent, long-run price that Big John can obtain is limited by the costs of production—

the full costs—of potential new entrants, together with an allowance for the competitive rate of profit on their capital. These costs set an objective limit above which the price cannot be maintained in the absence of legal protection from competition—namely, that provided by monopoly according to the political concept. As a result, the large firm cannot in fact later on charge the premium price that is necessary to recoup the profits it must forgo or the additional expense it must incur.

_______133. If the large firm must accept a price that is limited by outsiders' costs, the extent of its gains if it should succeed in capturing the business of a smaller rival would be merely his share of the market, at selling prices not significantly higher than the selling prices that prevailed before he began his effort to drive them out.

_______134. It follows from the answer to the preceding question that more than one company in an industry is the normal case.

_______135. What must be present to make it worthwhile for a large, low-cost firm that already does the bulk of an industry's business to cut its price below what is required to enable its smaller rivals to stay in business, is the prospect of a major expansion of profitable volume at the lower price, since merely gaining their existing volume is not sufficient.

_______136. If the condition explained in answer to the preceding question is present, becoming the sole producer would not pay if the large firm's cost advantages are of a kind that can be patented and thus shared with other producers in exchange for royalty payments. For then, the firm could make additional profits on 100 percent of an expanded market without having to accumulate by itself all the capital required to supply the market.

_______137. If the only substantive gain from price cutting is the volume of business presently carried on by one's competitors, then it follows that it is more efficient small firms that have much more to gain by following an aggressive pricing policy than more efficient large firms. For example, a large firm, with 90 percent of the market, has only the 10 percent share of its rivals to gain. But a small firm, with 10 percent of the market, has the 90 percent share of its rivals to gain.

_______138. The claims of "dumping" made against Japan in the years in which its industry was still a small fraction of that of the United States are tantamount to a claim that Little Joe practices predatory pricing against Big John.

_______139. Japan's success in exporting was the result of

a. selling below its costs

b. subsidies from the Japanese government

c. intelligent guidance from its Ministry of International Trade and Industry

d. all of the above

e. none of the above

_______140. Success in exporting depends on

a. selling below costs

b. achieving costs below those of one's foreign competitors and selling close to or below their costs while selling well above one's own costs

_______141. Subsidies to business by the Japanese government are drawn from

a. the vast and causeless resources of the Japanese government

b. taxes on successful Japanese business firms

_______142. The direction of investment by a government ministry is necessary to

a. make business firms do what is profitable to themselves

b. compel business firms to do what they judge to be less profitable or unprofitable to themselves

_______143. The chain-store variant of the predatory pricing doctrine

a. refers to cases in which the larger firm is larger by virtue of its presence in more than one market—for example, chain stores that compete with local merchants, or conglomerates that compete with smaller firms in a variety of different industries

b. differs from the predatory pricing doctrine as it has been considered up to now insofar as if the larger firm were to slash its price for the purpose of making its smaller rival run at a loss, it would not have to suffer a reduction in its own revenues and profits in proportion to its overall greater size, but only in proportion to its greater size in the particular market concerned

c. both (a) and (b)

_______144. Shark, Incorporated has a capital of $1 billion, which is invested in 1,000 branches scattered around the country. One of its branches is currently attempting to drive the tiny firm of Minnow & Mother into bankruptcy for the purpose of then being able to gouge the local consumers by sharply increasing prices and reaping an additional $100,000 per year in profit foreverafter. To achieve its objective, Shark can rationally afford to temporarily lose

a. its entire $1 billion of capital

b. no more than $1 million of its capital if the prevailing rate of return is ten percent per annum

_______145. The overwhelming bulk of the larger capital of a chain of stores, or other multi-market firm, is irrelevant to the size of the losses it might rationally be willing to sustain on a temporary basis in order to become the sole seller in a local market and thereafter forever reap a premium profit in that market.

_______146. The size of the firms that would be in a position to match even the largest chains in the ability to sustain temporary losses in a rational—or at least a semi-rational—expectation of being able ultimately to earn an above average rate of profit by doing so

a. need exceed only the discounted present value of the assumed additional profits
b. must be at least as large as that of the chains

_______147. The effect of losing any part of the capital one had calculated that it was reasonable to lose in an effort to secure a monopoly position in a local market is to deprive one of the ability to meet the competition of a newcomer who has made the same calculation but has not yet lost any of his capital.

_______148. The fact that any firm that attempted to practice a policy of predatory pricing in local markets would be exposed to the competition of other firms that had not yet lost any funds, and that if those other firms pursued this policy, they would in turn find themselves in the same position in relation to still other outsiders means that there is no way of actually securing the kind of premium profits imagined by the predatory-pricing doctrine and that all that can result from the attempt is the pouring of money down a bottomless well.

_______149. Whoever would attempt to practice a policy of predatory pricing in local markets would find himself in the position of having made a larger-than-necessary capital investment, which he would later need to recover through higher-than-necessary prices and more than a competitive rate of profit, but would be unable to recover in the actual conditions of the market. The capital he expended in the effort to achieve the illusory extra profits would place him in the same position as someone who had constructed his store or bought the land for it at an unnecessarily high price.

_______150. Selling under long-term contract can
a. provide the small competitor of a large, would-be practitioner of predatory pricing automatic protection against such practice and can do so even while allowing customers to decide not to actually buy the quantities they have contracted for
b. make the predator finance the small firm's costs in order to gain its business
c. both (a) and (b)

_______151. While long-term contract pricing may often not be feasible at the level of retailers' customers, market factors such as greter convenience and service operate to protect small retailers from being dislodged even by permanently lower prices charged by larger firms. At the same time, the existence of the smaller suppliers and their ability to do a larger volume of business contributes to preventing the larger firms from raising their prices.

_______152. The predatory-pricing doctrine implies that real prices in retailing and elsewhere over the last 130 years or so, i.e., since the days of the general store, whale oil, and the local blacksmith shop, have
a. risen
b. fallen

_______153. A large firm bent on cutting off vital supplies to a small competitor (which is the doctrine of predation with respect to suppliers) would have to be able to
a. succeed in cutting off all of the possible sources of supply of the small competitor for the good or service in question, since he requires the availability of only any one of those possible sources in order to be supplied
b. make dealing with it rather than the small competitor more profitable to every actual and potential supplier to whom the small competitor might turn, and to offer more to them not only than the small competitor is currently capable of doing, but also is potentially capable of doing in the future
c. both (a) and (b)

_______154. The prospect of the large firm charging high prices in the event it succeeds in cutting off vital supplies to its small competitors should make suppliers
a. its allies
b. allies of the small competitors

_______155. It would not make matters easier for the large firm if there were only one or a few suppliers or potential suppliers who would need to be secured against the small firm, because then the consequence would be that any one of the suppliers or potential suppliers with sufficient capacity to meet the requirements of the small firm would be in a position to demand a lion's share of whatever additional profits might be earned by virtue of the absence of the small competitor and the consequent alleged ability to charge substantially higher prices.

The Marginal-Revenue Doctrine

_______156. Marginal revenue is the change in total revenue that accompanies an increase or decrease in quantity produced and sold.

The following is a five-part question.

_______157. You are given the following information. At a price of $15 per unit, 100 units are demanded. At a price of $9 per unit, 200 units are demanded. Calculate marginal revenue per unit.

If, in the preceding question, cost per unit is $8 and remains at $8 dollars as output changes, calculate total profits when output is

_______158. 100 units.

_______159. 200 units.

_______160. Calculate the profit in producing 100 units at a cost of $8 per unit and a selling price of $9 per unit.

_______161. On the basis of the concept of marginal revenue, it is argued that the firm in the preceding questions is motivated to restrict its production to 100 units even though a second 100 units considered by itself, i.e., apart from the effect on the price of the first 100 units, would be profitable.

_______162. On the basis of the doctrine of marginal revenue, it is claimed that to the degree that a firm is large relative to the size of the market it serves, it is motivated to restrict its production to a quantity of product that is less than what would be produced if the effect on the price of the quantity already being sold were ignored.

_______163. According to the supporters of the marginal-revenue doctrine, given the elasticity of demand for the product of the industry, the smaller is a given firm relative to the industry as a whole,

a. the less will be the reduction in price that results from any given percentage increase in its output
b. the more motivated it will be to expand its production and cut the price of the product
c. both (a) and (b)

_______164. A large firm can be denounced both for monopolistically restricting supply if it does not produce the extra output that supposedly should be produced, and for being a monopolist if it does produce that extra output.

_______165. If the increment of output that supposedly should be produced is profitable in its own right, i.e., is profitable when considered apart from the effect of its production on the price of the quantity that is already being produced, a large firm that must experience the price reduction on its present quantity, does not have the alternative of deciding between a larger industry-wide quantity at a lower price and a smaller industry-wide quantity at a higher price, but only between whether *it* will produce the larger quantity at the lower price or a smaller quantity at the lower price while some other firm produces the additional quantity.

_______166. Where competition is physically possible and is peaceful—that is, in which the same or a similar good is capable of being produced by others without violation of anyone's intellectual property rights—and is legally free, the decision of any seller or group of sellers to produce less, or not to produce at all, cannot lastingly establish a selling price that is above the cost of production, plus allowance for the going rate of profit, of potential competitors.

_______167. The cost of production of potential new entrants constitutes an objective given that limits one's price. One's only choice is to sell either a smaller volume at that cost-limited price or a larger volume at that cost-limited price or a still larger volume at a lower price. But one cannot get a higher price.

_______168. According to the textbook,

a. if one allows for the time that may be required for new firms to enter a field, one can say that irrespective of the elasticity or inelasticity of the demand for the product of an industry as a whole, the elasticity of the demand for the product of any individual firm, however large, is virtually infinite if it charges a price above outsiders' costs plus allowance for the going rate of profit
b. under the freedom of competition the elasticity of demand for the product of any individual company or group of companies at a price above outsiders' costs plus allowance for the going rate of profit, is determined by the sum of the elasticity of demand for the product of the industry as a whole plus the elasticity of supply of competitors and potential competitors
c. while the demand curve facing the industry as a whole may be almost perfectly inelastic, or, indeed, actually be perfectly inelastic, as in the case of table salt, the demand curve facing any individual firm in the industry tends to be perfectly elastic at a price above outsiders' costs plus allowance for the going rate of profit
d. all of the above

_______169. The absence of legal freedom of entry is what makes it possible for firms without trade secrets or patent or copyright protection to set price on the basis of consideration of the industry's elasticity of demand, above the point of outsiders' costs plus an allowance for the going rate of profit.

_______170. Legal freedom of entry is an essential foundation of competitive price determination.

_______171. The prices normally charged for goods such as necessities and spare parts, which are generally faced with highly ineleastic demand curves, are based on

a. the elasticity of demand
b. cost of production

_______172. If sellers could base the price of table salt on the elasticity of demand for table salt, it would be

a. higher
b. radically higher
c. lower
d. radically lower

than it is today.

_______173. Contractual agreements

a. can make cost of production rather than the elasticity of demand the determinant of prices
b. that tie price to cost of production can contain a major element of variability that make the price conform to changes in market conditions; for example, a contractually determined price of compo-

nents or supplies might contain a provision for variability with the price of the principle raw materials used in their production
c. can serve to make buyers the major beneficiaries of any supply reductions and price increases that sellers might otherwise be motivated to bring about
d. all of the above

_______174. Using our previous example in which a company could sell 100 units at a price of $15 per unit and 200 units at a price of $9 per unit, but with the modification that it is contractually obligated to sell 100 units at a price of $9, identify the beneficiary of the higher price if the company now decides to produce only 100 units and thereby establishes a price of $15.
a. the company
b. the company's customers who have the contractual right to buy 100 units at $9 and who are enabled by the product's scarcity to sell it at $15

_______175. Even if there were just one producer of table salt, it would probably not be possible for him even temporarily to take advantage of the inelasticity of demand for table salt by reducing his production and raising his price if a sufficient portion of his output were sold under contract and with buyers having the option to increase their purchases at the contractually set price.

_______176. Even though when the excise tax on cigarettes is increased, the price immediately rises and is accompanied by relatively little decline in the quantity of cigarettes demanded, it generally does not pay an individual tobacco company or combination of all the present tobacco companies taken together to attempt to raise price by the equivalent of an excise tax increase, which is why they don't do it.

_______177. Böhm-Bawerk
a. agrees with Ricardo that in many instances cost of production is the direct determinant of price rather than the good's own utility or marginal utility
b. holds that marginal utility in other lines of production is the ultimate determinant of cost of production
c. both (a) and (b)

_______178. In cases in which cost of production rather than considerations of the elasticity of demand determines prices, there is no implication that cost of production can make anything *more valuable* than corresponds to its marginal utility, but only that it can make something *less valuable* than corresponds to its direct marginal utility.

_______179. The notion that cost of production has no significant explanatory role in economics comes from Jevons, not from Böhm-Bawerk and Wieser.

_______180. After devoting chapter after chapter to developing a theoretical analysis that is entirely dependent on the concept of marginal revenue, Samuelson and Nordhaus are surprised to find that
a. it is largely irrelevant to the real world and that they have no theory to explain the actual facts of pricing
b. case after case shows that markup pricing is the norm in imperfectly competitive markets
c. both (a) and (b)

_______181. If a firm can assume that
a. its own costs of production are no higher than its competitors' or potential competitors', then in setting its prices in conformity with its costs—that is, above its costs only by enough to earn the going rate of profit—it ensures that it is not likely to be undersold to any great extent or to attract newcomers to its field
b. its own costs are significantly below those of its competitors, then it will want to set its price not too far above its competitors' costs, as a maximum, so that it can earn high profits while they are not in a position to accumulate much capital and expand at its expense, and also in order not to provide an incentive for others to enter the industry
c. its costs are above those of its competitors, then except to the extent its product may be of premium quality over theirs, it must simply match the prices they set
d. all of the above

_______182. Absence of knowledge of the connection between prices and costs, and the belief that the price of each and every product must be determined by the specific demand for and supply of the product—by its own independent marginal utility—is what has led contemporary economics
a. to the expectation that without the presence of a vast number of individually insignificant firms, sellers will be in a position to exploit the product's elasticity of demand
b. to regard big business per se in a way that should be reserved for one or a few firms operating under monopolistic legal protection against competition, but not when operating under the freedom of competition
c. in the last analysis, to find that its theory simply does not fit the facts and that it has no applicable theory
d. all of the above

_______183. The adoption of lower-cost methods of production, even when protected by patents, soon serves to reduce prices somewhere—if not in the industry where introduced, then in another industry or industries insofar as the funds released from the production of the given item bring about an expansion of the production of other items.

_______184. Cost of production serves to limit the price that it is profitable to charge for a good produced under patent or copyright protection insofar as

a. what the patent or copyright protects is a more efficient method of producing a good that is already being produced, in which case the price of the good is limited by the cost of producing it by the older, less efficient methods
b. what the patent or copyright protects is an improvement in the methods of satisfying a need that previously had been satisfied by other goods less effectively, in which case the price of the new good is still limited by the prices and costs of production of the older goods that satisfy the need less effectively
c. both (a) and (b)

_______185. Because of their newness and the difficulties of estimating their elasticity of demand, the prices of patented or copyrighted products, such as books, movies, and CDs, are typically set in a more or less standard way, on the basis of cost of production, though with the addition of a substantially greater-than-usual profit margin accompanied by the attempt to achieve the maximum possible volume along with the higher-than-normal profit margin.

_______186. It is generally a sound business policy to reinvest the proceeds of an extremely high profit margin and rate of profit in order to earn a larger amount of profit on the strength of a lower profit margin and rate of profit applied to a greater volume of sales and quantity of capital invested in the production of the good (or more advanced versions of the good), because this policy
a. helps to guard against others being tempted to enter into competition through the development of comparable new products or methods of production of their own, which even patent or copyright protection cannot prevent
b. can achieve reductions in unit costs and improvements in product quality stemming from the adoption of more capital-intensive methods of production
c. serves further to increase the capital requirement of any potential competitor and thus further to reduce the likelihood of the actual appearance of such a competitor
d. is the way to transform a temporary bonanza into greater and more lasting success
e. all of the above

_______187. The ability to practice price discrimination would make it possible to price life-saving patented drugs in a way that did not deprive the marginal buyers of their life's savings.

_______188. The combination of collectivized payment of medical expenses, widespread opposition to price discrimination, and FDA delays in the approval of new drugs serve to make drug prices higher than they would otherwise be.

_______189. Pricing under long-term contract has the potential to make possible unregulated private ownership of the various utilities, such as electricity, water, and gas, telephone and sewage services, the provision of bridges and tunnels, and fire-fighting services.

_______190. The injustices associated with the exercise of eminent domain would be greatly reduced if
a. its exercise were limited merely to cases in which a handful of capricious individuals could otherwise frustrate the construction of necessary projects such as the construction of roads and pipelines
b. the owners of the property sought were offered substantially above-market prices rather than substantially below-market prices
c. both (a) and (b)

Cartels

_______191. Cartels are associations of independent producers of a good who agree to limit their production of it in order to obtain a higher price on the resulting smaller supply.

_______192. Every cartel faces a problem of deciding which producers must curtail production how much.

_______193. Profitable cartels typically face the problem of
a. deciding which producers must curtail production how much
b. controlling the reinvestment of the profits of their members, because if the firms are profitable and want to reinvest their profits in expanding production in the industry, the cartel's price will fall in efforts to find buyers for the additional output
c. the profitable price attracting outside entrants to the field, which not only makes the cartel's price fall, but also deprives the cartel's members of volume they could have had
d. all of the above

_______194. Apart from the handful of cases such as diamonds, in which there are very few physical sources of supply, the special problems faced by profitable cartels imply that cartels can succeed under capitalism only when they serve merely to reduce the extent of losses, i.e., raise a price from a point of more severe losses to a point of less severe losses or modest profits. In this case, the problems of controlling the reinvestment of profits and the attraction of outside entrants do not come up.

_______195. The prices that the few successful cartels in mining can charge in a free economy may be limited by

a. the cost and price of various substitutes, which, however imperfectly, can be used in place of the item for various purposes
b. the possibility that additional deposits of the item exist, which would be capable of commercial exploitation at a sufficiently high level of prices
c. both (a) and (b)

_______196. In a free economy, even successful cartels, such as the diamond and mercury cartels, are under continuous pressure to improve their methods of production and lower their costs and the real prices they charge, so long as the producers of substitutes can improve their methods of production, so long as new substitutes can be developed, and so long as the real costs of exploiting submarginal deposits can be reduced.

_______197. What is true of the price charged by a successful cartel is that at any given time it is higher than would be the case if the same known physical quantity of the good were found in widely scattered deposits.

_______198. The effect of the higher price charged by a successful cartel is to slow down the rate at which the limited known supplies are consumed and thus to serve, as von Mises described it, as a means of conservation.

_______199. Cartels as an economic problem, as in the case of the Imperial German cartels, the OPEC oil cartel, and present-day American agriculture under government price supports and supply restrictions, are the result of government intervention, and where they are formed or maintained on this basis, they represent part of the genuine and very serious problem of monopoly.

The Pure-and Perfect-Competition Doctrine

_______200. The doctrine of pure and perfect competition condems business as monopolistic for refusing to sustain unnecessary losses.

_______201. The doctrine of pure and perfect competition is the standard by which contemporary economic theory and the Antitrust Division of the Department of Justice decide whether an industry is “competitive” or “monopolistic,” and what should be done about it if they find that it is not “competitive.”

_______202. While normally, one thinks of competition as denoting a rivalry among producers, in which each producer strives to match or exceed the performance of other producers, the doctrine of pure and perfect competition claims that rivalry is incompatible with competition.

_______203. While competition as normally understood rests on a base of individualism, the pure-and-perfect-competition doctrine rests on

a. “the tribal premise,” i.e., the collectivist view that the individual human being is a cell in a greater organism, known variously as Mankind, the State, the Nation, or the Tribe
b. a tribal concept of property, according to which no property is to be regarded as truly private but rather as being held in trusteeship for its alleged true owner, “society” or the “consumers,” who allegedly have a right to the property of every producer and suffer him to continue as owner only so long as society receives what it or its professorial spokesmen consider to be the maximum possible benefit
c. the rationing theory of prices, according to which a price is viewed not as the payment received by a seller in the free exchange of his private property, but as a means of rationing his products among those members of society or the sovereign consumers who happen to desire them, with prices being justified on the grounds that they are a means of rationing superior to the issuance of coupons and priorities by the government
d. a collectivist concept of cost, according to which cost is not an outlay of money made by a buyer to obtain goods or services through free exchange, but the value of the most important alternative goods or services society must forgo by virtue of obtaining any particular good or service
e. all of the above

_______204. According to the tribal concept of property,

a. society has a right to 100 percent of every seller’s inventory and to the benefit of 100 percent use of his plant and equipment
b. the exercise of this alleged right is to be limited only by the consideration of society’s alleged alternative needs
c. a producer should retain some portion of his inventory only if it will serve a greater need of society in the future than in the present
d. a producer should produce at less than 100 percent of capacity only to the extent that society’s labor, materials and fuel, which he would require, are held to be more urgently needed in another line of production
e. all of the above

_______205. According to the doctrine of pure and perfect competition and its underlying collectivism,

a. supply means the goods that are here—in the possession of sellers—and the potential goods that the sellers would produce with their existing plant

and equipment, if they considered no limitation to their production but marginal cost
b. demand means the set of quantities of the goods that buyers will take at varying prices
c. every price is supposed to be determined at whatever point is required to give the buyers the full supply and to limit their demand to the size of the supply
d. all of the above

_______206. According to the doctrine of pure and perfect competition and the rationing theory of prices,
a. every seller's goods and the use of his plant and equipment belong to society and should be free of charge to society's members unless and until a price is required to ration them
b. up to the point of price being necessary to serve as a rationing device, the goods of sellers should be free goods, like air and sunlight
c. prior to the point of price being necessary to serve as a rationing device, any value that the goods of sellers have is the result of an "artificial, monopolistic restriction of supply"—of a deliberate, vicious withholding of goods from "society" by their private custodians
d. all of the above

_______207. Marginal cost is
a. always the extra cost that must be incurred from a given, present starting point
b. different with different starting points
c. usually held to be the cost of the labor, materials, and fuel required to produce an additional unit of a product, the cost of the plant and equipment being regarded as "sunk costs"
d. regarded as representing the value of the most important alternative goods or services that society forgoes in obtaining an additional unit of a given good
e. all of the above

_______208. The pure-and-perfect-competition doctrine regards
a. an excess of price over marginal cost as representing a situation in which society can gain more of something it values more highly at the expense of less of something it values less highly
b. an excess of marginal cost over price as representing a situation in which society loses something it values more highly and gains something it values less highly
c. the equality of price with marginal cost as the achievement of a social optimum, in which society obtains the maximum benefit from the allocation and use of its scarce resources
d. all of the above

_______209. According to Samuelson and Nordhaus, only when prices of goods are equal to marginal costs is the economy squeezing from its scarce resources and limited technical knowledge the maximum of outputs.

_______210. The "imperfect competitor"—viz., the "monopolist," the "oligopolist," or the "monopolistic competitor"—is condemned because
a. he does not produce goods up to the point where their alleged social cost—as measured by marginal cost—is equal to what the last unit of the good is allegedly worth to "society"—as measured by market price
b. he contrives to keep his output a little scarce, and keep price above marginal cost because what maximizes his profit is to set not price but marginal revenue equal to marginal cost
c. society does not get quite as much of the imperfect competitor's good as it allegedly wants in terms of what that good allegedly costs society to produce
d. he refuses to accept unnecessary losses
e. all of the above

_______211. The alleged sin of the "imperfect competitor" is manifested in
a. the example of the primitive fishing village whose fleet has a catch so abundant that the marginal utility of fish would be zero or negative and whose owners decide to throw some fish back into the sea, in order to obtain a positive price on the reduced supply that remains
b. the earning of a royalty or profit by virtue of the use of an idea, which by its nature is capable of being employed without limit and which can achieve value only by its use being deliberately limited
c. the earning of depreciation on existing plant and equipment whose services do not qualify as scarce
d. all of the above

_______212. The earning of depreciation charges is held to be improper short of capacity operation of the plant and equipment in question because it signifies the receipt of a price for plant-and-equipment services that are not yet scarce.

_______213. The doctrine of pure and perfect competition regards depreciation as properly recoverable only in circumstances similar to those in which Ricardo held land rent to come into existence, namely, a scarcity of the services of the grade of capacity or land in question.

_______214. Competition in contemporary economics is viewed as the means by which prices are driven down either to equality with marginal cost or to the point where they exceed marginal cost only by whatever premium is necessary to ration the benefit of plant and equipment operating at full capacity.

_______215. Pure and perfect competition is the set of conditions required to make profit-seeking businessmen set their prices equal to marginal cost.

_______216. According to the doctrine's supporters, the requirements of pure and perfect competition are
a. uniform products offered by all the sellers in the same industry

b. perfect knowledge
c. quantitative insignificance of each seller
d. no fear of retaliation by competitors in response to one's actions
e. constant changes in price, and perfect ease of investment and disinvestment
f. all of the above

_______217. An example that would meet the requirements listed in the previous question would be
a. the competition that exists between Ford and General Motors
b. the competition that exists between Dell and Hewlett Packard
c. the competition that would exist between four hundred and one movie theaters, all in the same neighborhood and all showing the same picture, which all potential viewers had already seen many times yet desired to see still again while being indifferent to any possible differences between the theaters except for the smallest difference in price, and if the theaters were tent-like affairs rather than durable structures

_______218. In the conditions described in the last choice in the preceding question,
a. any theater owner who cut his price by as little as one mill would supposedly be able to regard doing so as the means of filling all of his empty seats
b. the gain in business of any one theater as the result of cutting its price would come mainly from other theaters, but the loss of business to any one of the other theaters would be too small to provoke a response, since, for example, 400 empty seats in a given theater might be filled by drawing a mere single customer from each of 400 other theaters
c. all the theater owners would be driven to continually cut their prices in the belief that doing so served only to expand their volume to the level of capacity operation
d. the profit motive would quickly drive price to equality with marginal cost
e. all of the above

_______219. The pure-and-perfect-competition doctrine's
a. stress on the need for a large number of individually insignificant sellers as an essential condition of driving price to equality with marginal cost rests on the need for the individual businessman to be able to assume that his cutting price will have no perceptible effect on the business of any of the other sellers and thus will not be the cause of their cutting price
b. incompatibility with the existence of a small number of significanct-sized sellers derives from the fact that in such a case cutting price would have a major, perceptible effect on the business of others, who would therefore be driven to cut price in response, and the knowledge that this is what would happen would prevent the price cut from being made in the first place, with the result that price would not be driven to marginal cost
c. both (a) and (b)

_______220. The pure-and-perfect-competition doctrine's stress on the need for product uniformity rests on the greater responsiveness of customers to price changes in such conditions. If in contrast to 401 theaters showing the identical movie, they showed different movies, customers would be less likely to shift their business among the various theaters in response to infinitesimal price differences, and so a theater owner would have less incentive to trim his price.

_______221. Having to set prices equal to marginal costs in conditions in which operations were below full capacity, would imply prices of zero or not very far above zero for
a. airlines and railroads whose planes or trains had empty seats
b. movie theaters, baseball stadiums, and opera houses that had empty seats
c. toll bridges and tunnels not confronted with heavy traffic
d. all of the above

_______222. According to Samuelson and Nordhaus, in conditions in which setting price equal to marginal cost means incurring chronic losses, the solution is to
a. abandon the setting of prices equal to marginal cost
b. have the government subsidize the producer

_______223. According to the logic of the the pure-and-perfect-competition doctrine and its underlying doctrine that prices are justified only as a rationing device, the only time that
a. movie theaters, baseball stadiums, and opera houses, whose marginal costs of admitting an additional customer are virtually zero, should be able to charge a positive price is when they are at capacity operation
b. airlines and railroads, whose marginal cost of carrying an additional passenger is little more than the additional fuel that may be required, should be able to charge a price above such marginal cost is when they have no empty seats
c. steel mills, automobile factories, and almost all other manufacturing firms should be able to charge a price above their marginal costs of labor, materials, and fuel, is when the grade of manufacturing capacity in question has become scarce
d. all of the above

_______224. The effect of imposing marginal cost pricing would be
a. the widespread incurrence of massive losses when operations were at less than full capacity
b. a great reduction in the volume of capacity in existence, to the point that the capacity that remained would be in a state of scarcity often

enough so that the premium earnings in such periods would be sufficient to offset the losses in the periods of less-than-capacity operation
c. a corresponding reduction in the ability of the economic system quickly to meet increases in demand without having to build new and additional capacity
d. all of the above

_______225. The standard of 'efficiency' used to justify the doctrine of marginal-cost pricing is one according to which the economy of Soviet Russia was more efficient than that of the United States, because even though there was less of everything in Soviet Russia than in the United States, what there was, was used more fully.

_______226. The ideal of the pure-and-perfect-competition doctrine" implies a state of affairs in which producers are unable to take business away from other producers, because
a. if a producer is operating at full capacity, he cannot meet the demand of a single additional buyer, let alone compete for that demand
b. a producer cannot compete for additional business if he is operating merely at the full capacity of a given grade of plant and equipment and his idle capacity is of a kind whose operating cost is greater than the currently prevailing price
c. if a producer is not producing at full capacity even of a given grade of plant and equipment and is charging a price equal to his "marginal cost," he still cannot compete for the business of any additional buyers because he is forbidden to "differentiate" his product or to advertise it
d. all of the above

_______227. Ironically, what the pure-and-perfect-competition doctrine seeks is the abolition of competition among producers and its replacement with a competition among consumers for scarce supplies.

_______228. The pure-and-perfect-competition doctrine is to the left of Marxism in that Marxism denounced capitalism merely for the existence of profits, while it denounces capitalism because businessmen refuse to suffer unnecessary losses, which they would have to suffer if they treated their plant and equipment as costless natural resources that acquired value only when they happened to be scarce.

_______229. Choose the most completely true answer.
a. empirical studies based on the assumption that marginal cost is equal to total average cost plus an allowance for earning a competitive rate of profit lead to the finding that monopoly profits are insignificant in the economic system as a whole, accounting perhaps for about .5% of GDP
b. empirical estimates of the burden of monopoly profits do not distinguish between above-average-profits that are the result of positive productive contribution and those which are the result of restrictions of production based on the initiation of force
c. what reconciles the enormous concentration on the problem of monopoly in contemporary economic theory with its insignificance in practice is that contemporary economic theory regards the failure to sustain unnecessary losses as a problem of monopoly and spends much of its time focusing on this
d. all of the above

_______230. The supporters of the pure-and-perfect-competition doctrine accuse capitalism of lacking price competition, because their notion of price competition is that of the process of driving prices down to the level of "marginal cost" or to the point where they "ration" the benefit of "scarce" capacity, which process is typically absent.

_______231. Price competition is given by every firm that charges prices too low for other firms to be profitable and is an omnipresent feature of capitalism.

_______232. Price competition exists even in the midst of inflation in that even under inflation, every firm is still interested in improving the productivity of the labor it employs and to the extent it succeeds in doing so, it is able to hold its price increases below the wage increases it must pay, with the result that other firms in the same line of business are compelled to increase the productivity of the labor they employ or else suffer reduced profits or losses and eventually go out of business.

_______233. The competitor who cuts his price is fully aware of the impact on other competitors and that they will try to match his price. He acts in the knowledge that some of them will not be able to afford the cut, while he is, and that he will eventually pick up their business, as well as a major portion of any additional business that may come to the industry as a whole as the result of charging a lower price. He is able to afford the cut when and if his productive efficiency is greater than theirs, which lowers his costs to a level they cannot match.

_______234. The ability to lower the costs of production
a. enables an efficient producer to be profitable at prices too low for less efficient producers to be profitable
b. enables an efficient producer who lowers his prices, to gain most of the new customers in his field because his lower costs become the source of additional profits, the reinvestment of which enables him to expand his capacity and thus to supply the increase in quantity demanded at a lower price
c. is the foundation of the ability to take business away from others in the field
d. permits a producer to forestall the potential competition of outsiders who might be tempted to enter his field, drawn by the hope of making prof-

its at high prices, but who cannot match his cost efficiency and, consequently, his lower prices
e. is the base of price competition
f. all of the above

_______235. Price competition, under capitalism, is the result of a contest of efficiency, competence, ability.

_______236. Price competition
a. is not the self-sacrificial chiseling of prices to marginal cost or their day-by-day, minute-by-minute adjustment to the requirements of “rationing scarce capacity”
b. is the setting of prices—perhaps only once a year—by the most efficient, lowest-cost producers, motivated by their own self-interest
c. varies in extent in direct proportion to the size and the economic potency of these producers
d. is more powerful when it comes from a General Motors or Toyota than when it comes from a microscopic-sized wheat farmer
e. all of the above

_______237. Price competition frequently forces some of the sellers in an industry to sell at a price that is equal to or not far above *their* marginal costs, yet, at the same time, is substantially above the marginal costs of the more efficient, more competitively capable firms. This is part of the process by which the more efficient firms gain the business of the less efficient firms, which will be unable to replace their assets and thus unable to continue in business on the present scale.

_______238. More efficient firms typically sell at prices *below* the marginal costs of a substantial portion of the capacity of the less efficient firms. Such prices are what keeps that less efficient capacity from serving the market, and thus competitively reserves the market to the more efficient firms.

_______239. It can be to the rational self-interest of a large firm to cut its price in response to a fall in demand, even though the industry demand curve is highly inelastic and other firms will quickly match its cut. This will be the case when the drop in demand idles capacity with a relatively low marginal cost of operation, while other firms continue to supply the market with capacity that has a relatively high marginal cost of operation. In this case it is to the self-interest of the firm with the lower-cost capacity to cut the price in order to make way in the market for its capacity. Cutting the price below other firms’ higher marginal costs is the means of eliminating the higher-cost capacity of those firms from the market.

_______240. Alfred Marshall’s doctrine of the “representative firm”
a. conceives of an industry as consisting of a mere multiplication of so many interchangeable, identical “representative firms”
b. proceeds on the assumption that all the firms in an industry have exactly equal efficiency and equal costs
c. rules out any basis for price cutting, since no one can have any rational basis for expecting to succeed by doing so, because the moment anyone cuts his price, the other producers, who are assumed to be equally efficient, cut theirs in response
d. serves to blind contemporary economists to the existence of price competition outside of the conditions of “pure and perfect competition”
e. all of the above

_______241. An implication of Marshall’s doctrine is that the only possible gain for a producer in cutting his price is the same gain that would exist if there were only one producer. On this basis, contemporary economics concludes that what it calls “oligopoly” is essentially the same in its effects as “monopoly,” because it appears to it that it will pay an “oligopolist” to cut his price only when it would pay a “monopolist.”

_______242. Contrary to Marshall’s doctrine, competition, centering precisely on an *inequality* in the productive efficiency of firms, is the means by which continuous progress and improvement are brought about, in terms both of falling real prices of products and ever better products.

_______243. Cost of production operates to
a. set many prices, such as those of spare parts and other goods with highly inelastic demands, far below what they would be if they were determined on the basis of the direct marginal utility of the good concerned
b. establish prices at a point that is above what they would be if producers did in fact have to regard their plant and equipment and intellectual property as not deserving to command an allowance in the price of the product because their renditions of service were not scarce
c. both (a) and (b)

_______244. Setting prices above what they would be if producers had to regard their plant and equipment and intellectual property as not deserving to command an allowance in the price of the product short of the point of their being scarce, serves in the long run to keep prices below what they would be if based on the product’s own, direct marginal utility and to progressively lower real prices, because
a. it makes possible the existence of the capacity required to quickly increase the production of goods whose own, direct marginal utility may be very high and thereby to hold their prices to the lower level corresponding to cost of production
b. being able to profit from intellectual property, including trade secrets and all manner of technological and other knowledge not yet widely disseminated, whose services are never physically scarce, is what underlies the incentive and ability to go on introducing further productive innovations, which steadily reduce prices in real terms
c. both (a) and (b)

The following eight questions are drawn from the text by Samuelson and Nordhaus.

_______245. A perfect competitor's output in the short run is the quantity that:

a. sets MC equal to MR = P
b. sets AVC = P
c. minimizes ATC
d. sets ATC = P
e. none of the above are correct

_______246. In the situation of imperfect competition, the relation between market price P and marginal revenue MR for each supplying firm is that:

a. P is less than MR at all or most output levels
b. P is greater than MR at all or most output levels
c. P is the same as MR at all output levels
d. P is either less than MR at particular output levels or the same as MR
e. none of the above, since P is not related to MR

_______247. A monopoly finds that, at its present level of output and sales, marginal revenue equals $5 and marginal cost is $4.10. Which of the following will maximize profits?

a. Leave price and output unchanged
b. Increase price and leave output unchanged
c. Increase price and decrease output
d. Decrease price and increase output
e. Decrease price and leave output unchanged

Use the following Table to answer the next two questions:

P	Q	Revenue	Profit
$5	7		
$4	12		
$3	17		
$2	22		
$1	27		

_______248. Consider the demand curve implied in the above Table. If the imperfectly competitive firm is able to produce at any output level, then the price and quantity which maximize total revenue are:

a. P=5; q=7
b. P=4; q=12
c. P=3; q=17
d. P=2; q=22
e. P=1; q=27

_______249. Suppose an imperfect competitor faces the demand curve defined in the above Table, and its MC is constant at $2.00. If the firm is able to produce at any output level, then it maximizes profits at:

a. P=5; q=7
b. P=4; q=12
c. P=3; q=17
d. P=2; q=22
e. none of the above if fixed costs are less than $1.00

_______250. If the firm described in the previous question has no fixed costs, its profits are:

a. $48
b. $54
c. $24
d. $4
e. -$12

_______251. If a firm finds out that its marginal revenue is greater than its marginal cost, it should:

a. increase production and sales
b. decrease production and sales
c. encourage the entry of other firms into the market
d. keep raising its selling price till marginal revenue equals marginal cost
e. change nothing because profits are maximized

_______252. Falling marginal revenue facing an individual firm is incompatible with:

a. growth of the firm
b. perfect competition
c. oligopoly
d. barriers to entry
e. none of the above

Answers to Questions 1-244 on Chapter 10 and 245-252 on Samuelson

Ques-tion #	Correct Answer	Ques-tion #	Correct Answer	Ques-tion #	Correct Answer	Ques-tion #	Correct Answer	Ques-tion #	Correct Answer	Ques-tion #	Correct Answer	Ques-tion #	Correct Answer	Ques-tion #	Correct Answer	Ques-tion #	Correct Answer
1	d	31	T	61	d	91	T	121	9	151	T	181	d	211	d	241	T
2	c	32	T	62	c	92	d	122	$1.80	152	a	182	d	212	T	242	T
3	e	33	T	63	T	93	T	123	zero	153	c	183	T	213	T	243	c
4	f	34	T	64	T	94	T	124	$1.80	154	b	184	c	214	T	244	c
5	f	35	T	65	T	95	T	125	9	155	T	185	T	215	T	245	a
6	b	36	T	66	c	96	T	126	T	156	T	186	e	216	f	246	b
7	T	37	T	67	T	97	e	127	$2.70	157	$3	187	T	217	c	247	d
8	T	38	e	68	e	98	>18	128	$1.80	158	$700	188	T	218	e	248	c
9	b	39	T	69	T	99	>900	129	T	159	$200	189	T	219	c	249	b
10	g	40	f	70	c	100	T	130	T	160	$100	190	c	220	T	250	c
11	T	41	T	71	T	101	T	131	d	161	T	191	T	221	d	251	a
12	T	42	T	72	T	102	T	132	T	162	T	192	T	222	b	252	b
13	b	43	e	73	T	103	b	133	T	163	c	193	d	223	d		
14	T	44	T	74	d	104	F	134	T	164	T	194	T	224	d		
15	a	45	T	75	c	105	b	135	T	165	T	195	c	225	T		
16	T	46	h	76	T	106	f	136	T	166	T	196	T	226	d		
17	T	47	T	77	T	107	T	137	T	167	T	197	T	227	T		
18	T	48	T	78	T	108	T	138	T	168	d	198	T	228	T		
19	T	49	T	79	T	109	e	139	e	169	T	199	T	229	d		
20	n	50	T	80	T	110	T	140	b	170	T	200	T	230	T		
21	T	51	T	81	d	111	d	141	b	171	b	201	T	231	T		
22	T	52	T	82	T	112	T	142	b	172	b	202	T	232	T		
23	e	53	h	83	T	113	$9	143	c	173	d	203	e	233	T		
24	T	54	e	84	T	114	$8.10	144	b	174	b	204	e	234	f		
25	T	55	T	85	T	115	90 cents	145	T	175	T	205	d	235	T		
26	T	56	d	86	500%	116	$1	146	a	176	T	206	d	236	e		
27	d	57	f	87	T	117	90 cents	147	T	177	c	207	e	237	T		
28	e	58	T	88	T	118	10 cents	148	T	178	T	208	d	238	T		
29	T	59	T	89	T	119	10 cents	149	T	179	T	209	T	239	T		
30	f	60	T	90	T	120	90 cents	150	c	180	c	210	e	240	e		