

- A. Use pen, not pencil; use blue or black ink.
- B. Apportion your time to the value of the question. Don't pour out your heart and soul on the short essays, and leave no time for the long ones
- C. Write NEATLY. Yes, I mean you!
- D. Good luck!
- E. **Very Important**, try to fool yourself into having fun taking this exam. Surprisingly, you'll find that you will do better, and enjoy it more.
- F. When a question calls upon you to give two sides of an issue, try to do a good job on BOTH sides. I will award half credit for each!!!
- G. This exam is worth 150 points toward your grade.

I. Long Essay. Do only 4. They are worth 25 points each for a total of 100. You must include the first two questions. That is, answer 1 and 2, and then also do any two of the other six. When there is the possibility of illustrating your answer with a diagram, or a chart, it would be a great idea to do so.

1. In the attached diagram, please find the following:

P_c , Q_c , the price and quantity that the perfectly competitive industry will select

P , the point at which the perfectly competitive industry will locate

P_m and Q_m , the price and quantity that the monopolistic industry will select

M , the point at which the perfectly competitive industry will locate

Total revenue (TR), total costs (TC) and profit for both the perfectly competitive and monopolistic industry; do this both the average and marginal way. That is, I'm asking for 6 things here:

TR_m , TC_m , profits(m), TR_c , TC_c and profits(c), each pair done in two different ways (marginal and average)

The dead weight loss for both the monopolist and the competitive industry.

Where is the supply curve for both the monopolist and the competitive industry?

(Hint, these last two are trick questions)

2. Interest rates.

A. How much money will you have at the end of a specific number of years if you leave in the bank

- a. \$1 for 11 years at 1%?
- b. \$5 for 100 years at 12%?
- c. \$100 for 15 years at 24%?
- d. which table(s) did you consult on this question?

B. What is the most you would bid

- a. for a dollar receivable in 17 years, assuming an interest rate of 3%?
- b. for \$1,000 receivable in 25 years at 6%?
- c. for \$.15 (fifteen cents) receivable in 15 years at 15% interest?
- d. which table(s) did you consult on this question?

C. Which would you rather have: \$400.00 right now, or a 6-year annuity of \$100? Assume an interest rate of 6%. Which table(s) did you consult on this question?

D. At which interest rate would \$.163(0) be of the same value as \$1(16)? At which interest rate would \$7.36(0) be the same as a 10 year annuity of \$1? Which table(s) did you consult on this question?

- a. What is the value of a 17 year annuity of \$1 at 1% interest?
- b. What is the value of a 17 year annuity of \$1 at 36% interest?
- c. which table(s) did you consult on this question?

F. What is the value of an annuity from the years 4-6, assuming an interest rate of 12%? Do this in two different ways, from two different tables. Which table(s) did you consult on this question?

G. What is “present discounted value”? Why do we use it?

Show all calculations; yes, this means YOU! Correction: I don't need the final answers: merely, what would you multiply by what, to get the proper result.

3. Summarize the Kolko book. Assess it for its pro or anti market proclivities. Compare his model of regulation with that of Stigler, and also the traditional theory.

4. Summarize the Tucker - Elzinga debate on the morality of anti trust.

5. Distinguish between Austrianism and libertarianism

6. Analyze from the economic perspective one of the movies we saw this semester.

7. What is the Austrian criticism of the neoclassical model of monopoly?

8. The Chicagoans (right wing neoclassicals) wish to retain some of these practices in anti trust laws (e.g., keep them illegal) and to jettison some of them (legalize them).

Which is which? On what basis do they distinguish between these practices?: Horizontal merger, price fixing, vertical merger, advertising, exclusive dealing, tying, predatory price cutting.

II. Short Essay. Tell me what these are, and their significance. Don't merely identify them! Give examples. Impress my socks off. Do only 10. They are worth 4 points each for a total of 40.

1. according to neoclassical theory, will the person who buys a monopoly, at an equilibrium price, earn any profit? Why or why not?
2. Gary dinners
3. Gentlemen's agreements
4. Upton Sinclair
5. Herfindahl index
6. Why does Block think that a "market monopoly" is a contradiction in terms? (Hint: "He's drunk again" will not be accepted as a proper answer)
7. What is "rent seeking" and what is Block's criticism of this concept?
8. Rothbard claims that a downward sloping demand curve can touch a "u" shaped average cost curve at a point other than at the latter's minimum. Illustrate this.
9. Most anti trust cases are launched by a. government; b. consumers; c. competitors; d. labor unions; e. Martians.
10. In the recent Microsoft case, which was an important issue?: a. vertical integration; b. tying; c. profiteering; d. exclusive dealing; e. cartelization
11. QWERTY
12. What is the relationship between monogamous marriage and industrial organization?
13. Interpersonal comparisons of utility
14. cardinal vs. ordinal utility
15. Lochner
16. implicit vs explicit cooperation
17. selling short in a futures market; give a numerical example
18. what does transitivity have to do with the demand curve?
19. Public Choice
20. distinguish between libertarian and Marxist ruling class theory
21. consent decree; divestiture; predation. One sentence on each.
22. for the neoclassicals, monopoly is only possible if the demand curve is a. elastic; b. has unitary elasticity; c. inelastic; d. rectangular hyperbola; e. none of the above

III. Matching; worth 15 points

Match the items in list I with that of list II.

Hint: Here's how the matching would work in a simpler case:

List I

1. Love
2. Horse

3. Tweedle Dee

List II

- a. Carriage
- b. Marriage
- c. Tweedle Dum

The correct answers are

- 1b
- 2a
- 3c

Now, here are the real lists:

I.

- 1. Ayn Rand
- 2. Hank Reardon
- 3. John Galt
- 4. Jim Taggert
- 5. Dagny Taggert
- 6. Eddie Willers
- 7. Midas Mulligan
- 8. Ragnar Danneskjold
- 9. Robert Stadler
- 10. Francisco D'Anconia
- 11. Ellis Wyatt
- 12. Ken Danagger
- 13. Kay Ludlow
- 14. Balph Eubank
- 15. Kip Chalmers

II.

- a. banker
- b. Copper industry
- c. Author of Atlas Shrugged
- d. President of Railroad
- e. Railroad worker
- f. scientist
- g. Pirate
- h. Steel producer
- i. Builder of motor
- j. Vice President of Railroad
- k. Randian villain
- l. Actress
- m. oil
- n. coal

