Answers to End-of-Chapter Exercises

1. This question helps students learn more about how large corporations actually operate. The *Fortune* data include share price, total assets, revenues, profits, and rates of return. The web sites for specific companies should provide a wealth of data such as number of employees, number of stores, countries of operation, etc. One interesting fact that some students might identify is that many large retail stores and manufacturers are part of a conglomerate. For example, the Phillip Morris conglomerate includes Kraft, Miller Brewing, Maxwell House, and Jell-O. Ford Motor Company includes Mazda, Volvo, Jaguar, and Land Rover.

2. The correct matches are a→v, b→x, c→vii, d→i, e→viii, f→ix, g→iii, h→iv, i→vi, j→ii.

3. There is no right answer to this, but you should look to see that students have selected appropriate articles and used terms correctly. The “I don’t understand” responses could lead to review, or perhaps to topics outside the scope of this textbook.

4. a. About 9.2% of employers had between 20 and 99 employees.
   b. About 18% of workers worked for employers that had between 20 and 99 employees.
   c. As 11.0% of the 5.7 million employers had 20 or more employees, this means that about 627,000 employers had 20 or more employees.
   d. As 82% of the 115 million workers worked for firms with 20 or more employees, this means that about 94.3 million workers worked for firms with 20 or more employees.

5. The existence of conglomerates and multinational corporations means that traditional measures of market power, specifically concentration ratios, may fail to adequately measure market power. The market power of a conglomerate across different industries will not be apparent using concentration ratio estimates based on single industries. Also, concentration ratios are normally measured in national markets. The market power of a multinational corporation across different countries will not be apparent in a concentration ratio calculated for a single country. Operating across industries and/or countries can give a corporation several advantages. A conglomerate may gain from concentrating research facilities or management in a central location, purchasing inputs cheaply from members of the conglomerate, reducing the risk of declining sales in one industry by spreading out risk across several industries, and possible tax advantages. A multinational firm may gain an advantage by operating in several countries by being able to locate profits in low-tax countries, taking advantage of cheap labor in developing countries, being able to respond quickly to lower resource prices in different countries, and obtaining a favorable regulatory environment or subsidies through the exercise of political power.