**Miller vs Schoene**

- What is the recipe for cedar production?
- What is the recipe for apple production?

**James Buchanan**

- Don't you believe in individual liberty and voluntary solutions?
- Then it follows that the regulations passed by the Virginia legislature are inefficient intervention.

**Review Questions**

1. Can there be a market without government?
2. What is the connection between technology (the production function) and cost as seen by the firm?
3. Can power be eliminated?
4. Illustrate how the distribution of power affects performance.

**To make your interests a cost to others is to exercise power**
Review Questions

What difference does it make if we accept:

1. The transaction as the unit of analysis instead of commodities and prices?
   Can you understand behavior, especially habits with the individual as the unit of observation?
2. Preferences are endogenous and variable?
3. Disequilibrium (evolution) is the normal state of affairs?

Connections? Inst. Econ

- Cost = f(power)
- Prices, wages, output = f (power, SOP's)

Institutions Matter

- Markets are not automatic, impersonal and natural.
- Markets are not mechanisms.

Interdependencies

- Income distribution and demand are interdependent.
  - Can't maximize GNP independent of distribution.
Period 3, Power, Cost

Theory
- Situation
- Structure
- Performance

Sound Bites
1. The market is a sphere of coercion.
2. The distribution of power determines the content of economizing.
3. Beware those who say, “I seek no power, I just want to be left alone.”
4. Cost is not natural.

Interdependencies mean...
- Open systems
- Evolution
- Learning