

AVOCADO HIGH SCHOOL

Horace H. Hass, Principal



MEMORANDUM

Date: January 15, 2011
 To: School-Based Enterprise Students
 Avocado High School
 From: Ronnie Johnson, Faculty Advisor
 Subject: Congratulations on your new job—but is it ethical?

What a senior year you have had! As you know, your work helped the Biochemistry Club get the funding to develop a pesticide and genetic-engineering process that work together to eliminate the persea mites. AHS immediately applied for and obtained patents, and this quick action allowed us to become the sole producer of the key ingredient of the pesticide and the DNA for the pest-resistant, genetically engineered avocado tree.

Because the pesticide works only on the genetically altered trees, the avocado trees at Buchanan, Fillmore, and Pierce High Schools were destroyed by the persea mite. These schools stopped production of low-calorie avocados, leaving us with a monopoly of the market and soaring profits (and less production!), as the attached table for 2011 shows. Mega Avocado Corporation (MAC) saw these high profits, and purchased our patents for a handsome price. MAC also offered to make you Junior Executives in their firm after you graduate from AHS, and enroll you in a while-you-work Bachelor's Degree program they have set up.

If you accept the job as a Junior Executive, you must become a loyal member of MAC's corporate family, an obligation that brings you a nice salary and the burden of defending their monopoly. Of course, some of you may not want to become loyal executives in a monopoly firm. You may feel uneasy about eliminating Buchanan, Fillmore, and Pierce High Schools from the market and joining a monopoly for your own personal gain. The decision to accept MAC's offer is one you should take time to consider seriously.

Our school principal, Mr. Hass, is serious about this too and would like you to hold a debate at a school assembly, so everyone can think about the ethics of your decision. This is the resolution to be debated:

Monopoly profits are a just reward for innovation and efficiency gains. They are not an unfair payment to corporations who overcharge consumers and prevent firms from competing in the market.

To prepare for the debate, I'd like each of you to write a position paper on your decision. If you are going to accept MAC's offer, you must use economic arguments and the 2010 and 2011 price, sales, and profit data to persuade me that it is ethical to join a monopoly because you agree with the resolution above. If you decline the offer, you should use economic arguments to persuade me that joining a monopoly would be unethical, because you disagree with the resolution above.