Instructions

Upload this homework into the homework vaults in the IS no later than on 12/4 at 23.59. The homework submitted after this date can be evaluated only if you have an excuse in the IS for at least 3 working days in the week between the given lectures and seminars (from these five: Wed, Thu, Fri, Mon, Tue) and the teacher has given you an alternative date when you submit your homework. We expect that you write the homework on your own. Should your answers resemble with the answers in someone else's homework, we might deduct points from your score. We appreciate the effort and thorough thinking (whether your answers make sense, whether you have supported all your claims by careful argumentation, whether your answers are informed by data). Try to formulate ideas as concisely as possible. Certainly do not add any "dummy text" just in order to get closer to the maximum extent. The final document can be inserted into the System in all standard formats (doc, docx, odt, pdf, ...). Print your homework and take it to the seminar on 30/3. Title the document Homework 3 (your name and surname will be added to the name of the document automatically). Put your name and surname on the top of your homework.

Task 1 (8 points, maximum 1000 words)

Read the paper by Ivaldi and Verboven (2005) (see the study materials). Answer the following questions:

1. What is the aim of the paper?
2. Explain the difference between a hypothetical market power test (SSNIP) and an actual market power test.
3. How was defined the relevant geographical market in the Volvo-Scania case? What arguments did the Commission provide to support this definition?
4. What model do they use for modelling demand side? Why does the model have a hierarchical structure (see fig. 1, p. 676)?
5. Interpret the results in table 2.
6. How do they check the validity of the estimates? What is the meaning of the parameter *"r"*?
7. What data do they use? How do they cope with the objection that listed prices differ from actual transaction prices?
8. How do they calculate the results in table 5? Interpret the result presented in table 5.