

Industrial Organization: Examples of final term questions

The exam contains 8 test questions.

Examples of test questions:

1. The main problem for a monopolist that wants to discourage entry by a firm with sunk entry costs by claiming that he will produce a higher quantity (reduce price) is that
 - a. the monopoly might not have enough capacity to do so.
 - b. this threat is not credible if increasing quantity is not profitable after the entry.
 - c. that the entrants are not affected by what monopoly does after their entry.
 - d. if he discourages one potential entrant, there will be always other firms willing to enter the market.

2. The unilateral effects of mergers
 - a. might arise if one firm in the merger is stronger than the other.
 - b. might arise if only two firms merge.
 - c. might arise if the mergers facilitate collusion in the industry.
 - d. might arise from the fact that mergers increase market power of the merging firms.

It also contains 4 open questions.

Examples of open questions:

1. How are the concentration ratio (CR4) and the Herfindahl-Hirschman Index (H) calculated?

2. Suppose there is a market with differentiated products. Two firms on the same level of the supply chain want to merge. What should be taken into account by the competition authority in order to decide whether to allow or block the merger?

3. What is double marginalization? What are the implications of double marginalization for the effect of vertical merger on market outcome?