

Second Exam

Write all answers in your blue book and show all work there. Return your exam in your blue book.

20 pts.

1) Briefly describe and compare Cournot, Bertrand and Stackleberg equilibria. Be sure to say something of how each model works and how its quantity compares to a competitive one.

20 pts.

2) Use diagrams or equations or both to illustrate how one of the models in # 1 works.

20 pts..

3) If we assume that firms have constant MC and unlimited capacity at a given level of FC,

a) what can be said about the efficient number of firms in an industry? And

b) if firms are Cournot decision makers and entry is easy, what can be said about the efficiency of the number of firms in the industry? And

c) if the product is differentiated, how does that affect our view of the efficient number of firms?

20 pts.

4) a) What do traditional SCP studies generally find regarding the effect of concentration on price or profit?

b) Why have these studies fallen out of favor? Give two important reasons.

c) What do modern SCP studies seek to show about market size and concentration? How do they seek to measure market power?

20 pts.

5) Take a price discrimination model of your choice and

a) show diagrammatically how it works and

b) give an example of its use and

c) discuss the issue of resale of the product in that context.

I have neither given nor received unfair aid on this test nor am I aware of anyone else who has.

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