Econ 3327   Fall 2009

Industrial Organization   R. Claycombe

Second Exam

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

20 pts.

1) a) Show with diagrams and/or equations the way that either the single period Cournot or Bertrand
market works

b) Briefly describe the way that making a game multi-period changes the way it works.

20 pts.

a) How does a Stackleberg model differ from a Cournot one? Be sure to state the difference in
assumptions and the resulting price and quantity.

b) Use a spatial model to depict the location of firms that serve all market "space." Describe how close
such firms have to be together using a full-price equation.

20 pts.

3) a) Use a well-labeled diagram to show the gains from trade for a firm with some market power and a
price above MC and ATC. What do you expect in the long run will happen in such a market? What
assumption are you making about entry?

b) In what way can it be said that there are too many firms in monopolistically competitive markets?

20 pts.

4) a) What do (did) traditional SCP studies generally show about concentration and performance?

b) Briefly describe two empirical criticisms of this literature that were not sufficient to discredit it.

c) Briefly describe the theoretic and empirical attacks that were sufficient to discredit it.

20 pts.

5) a) Briefly describe how either coupons, sales or other means are used to separate groups for price
discrimination.

b) Use at least a two-frame model to show how profit maximizing prices are determined for 2 groups.

c) If e_{groupA} = -2 and e_B = -3 and MC = 2 are P_A =5 and P_B = 4 the profit maximizing prices? Explain.

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

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