

EXAMINATION QUESTION PAPER: Reassessment, 2014

Module code:	EC6005
Module title:	Industrial Economics and Regulation
Module leader:	Dr Chris Tsoukis

Date:	July/August 2014
Duration:	2 Hours

Exam type:	Part Seen/Part Unseen, Closed
Materials supplied:	None
Materials permitted:	None
Warning:	Candidates are warned that possession of unauthorised materials in an examination is a serious assessment offence

Instructions to candidates:	Candidates will be required to answer ONE question from Section A and TWO questions from Section B.
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Section A – Seen part
Answer ONE of the following:

[40% of the marks are available here.]

1. Derive and explain the Lerner Index of monopoly power and the Herfindahl Index of firm concentration. Furthermore, explain the links of these concepts among themselves and with the n-firm concentration ratio and the Gini coefficient. Finally, assess their respective contribution to our understanding of industry structure.
2. What is the deadweight loss? Drawing on the contribution made by Cowling and Mueller (1978) indicate why economists should be concerned about it. Describe the conditions in which the deadweight loss is likely to be severe, and assess the implications for anti-trust policy.
3. Explain fully how reaction curves are obtained in a duopoly when the incumbents adopt a Nash-Cournot-type working hypothesis concerning the behaviour of its rival. Show how these curves are affected when conjectural variations are allowed to be different from zero and what this means for equilibrium.
4. The theory of limit pricing supports Bain's assertion that barriers to entry exist when incumbent firms are able to persistently maintain prices above the competitive level without attracting entry. Evaluate this proposition in the light of strategic approaches to entry deterrence.