

ECON4820 – Strategic Competition: Term paper 2008

Note: This term paper is *not* mandatory. Write in either English or Norwegian.

Available online: Friday 29 February 2008

To be handed in at the Economics Department's reception in the 12th floor of the Eilert Sundt Building.

Deadline for handing in: Thursday 13 March 2008.

Question 1:

(based on an exam question from 2004)

Competition authorities often base their assessments of competition in a market under scrutiny on the degree of concentration in the market – for example as measured by the Herfindahl index of market concentration – the idea being that there is a relationship between concentration and competition. Discuss the merits of this approach.

Question 2:

(modification of an exam question from 2006)

- (i) Present a model of duopoly with identical firms where, in the unique equilibrium, price equals marginal cost. Explain why this is so.
- (ii) What would be the outcome in the above model if firms had different technologies and therefore different costs?
- (iii) When we set out to study a particular industry, we need to make a choice whether to assume price competition or quantity competition. Discuss features of the industry that could come into consideration in this modelling choice.