

## **ECON 4820 Strategic Competition Spring 2008**

### Seminar set 5 – 3 April 2008

#### *Question 1* (exam 2006)

In many markets, products are differentiated in the sense that consumers differ with respect to which product variants are their preferred ones. Use the so-called “linear-city model” to discuss whether, in such a market, products offered in equilibrium tend to be more similar to each other, or more different, than what is socially optimal.

#### *Question 2* (slight modification of postponed exam 2004)

Competition authorities typically place considerable weight on market concentration in their practice, for example when evaluating a merger – presumably based on the idea that *there is a relationship between concentration and competition*. Discuss the merits of such an approach.