

Short Answer Questions

Chapter 17.

1. In an oligopolistic industry there are only a few firms. Is this statement correct? Explain.
2. A market has a four firm concentration ratio of 87 per cent. What does this mean?
3. Explain two potential benefits and two potential difficulties for firms engaging in collusion.
4. Define Nash equilibrium.
5. A firm operates in a market dominated by two firms of which it is one. It is considering investing in an advertising campaign with the aim of boosting profits. In deciding the scale and scope of the campaign (and indeed whether it will invest in the campaign at all), what factors would you recommend it should consider?
6. Why is a cooperative outcome more likely in an often repeated prisoners' dilemma?
7. If an oligopolist was operating in a market as part of a four firm concentration ratio of 85 per cent with each firm producing a largely homogenous product, assess the methods it could choose to adopt to compete against its rivals.
8. Why do authorities in most countries have laws and regulation to prevent collusion?
9. What is resale price maintenance (RPM) and is it always a 'bad' thing?
10. Is tying an unacceptable form of competition? Justify your reasoning.