

OLLSCOIL NA hÉIREANN, GAILLIMH  
NATIONAL UNIVERSITY OF IRELAND, GALWAY

SEMESTER II, 1999/00

**Industrial Economics (EC360)**  
B.A & B.Comm. Degree Examinations

Professor J.Round  
Professor M.Keane  
Ms. Sarah Callanan

**Time allowed: Two hours.**

**Instructions: Answer three questions. Question 1 is compulsory.**

**Question 1 – give an explanation/definition for five of the following**

- (i) Structure-Conduct-Performance model
- (ii) Economies of scale and Economies of Scope
- (iii) Dead-weight loss
- (iv) Lerner Index v.'s Herfindal Index
- (v) Reaction functions
- (vi) Advertising 'Search' v.'s 'Experience' goods
- (vii) Identify four forms of product differentiation
- (viii) Advertising response function

**(30 marks)**

**Question 2**

Outline the Bertrand Oligopoly model when there is (a) an homogenous product and (b) some product differentiation. What type of industry would you expect to be characterised by the behaviour associated with the Bertrand model.

**(25 marks)**

**Question 3**

- (a) Outline the inherent instability of collusive agreements between Oligopolists, and identify a number of factors which may make the agreement more stable.

**and**

- (b) How does European Competition Policy view collusive behaviour?

**(25 marks)**

**Question 4**

- (a) Outline how product differentiation advantages of first movers may arise and persist.

**and**

- (b) How does advertising impact on the welfare of society?

**(25 marks)**

**Question 5**

"The market is the most efficient mechanism for allocating resources in the economy, competition policy only serves to interfere in this process, and is the source of all market inefficiency". Discuss.

**(25 marks)**