Midterm #2

This midterm is due Thursday morning at 11 am as hardcopy in my office.
—Do not submit via email—
You have 90 minutes for this exam.
—Please sign, pledge and note the time at which you finished—
Open book.

Part I: Collusive Behavior  (30 minutes suggested)

**Claim:**
"InBev and SABMiller-Coors act more like Bertrand than Cournot duopolists."

**Challenge:** Don't (primarily) argue true vs false. Rather, what theory might we look to, beyond the basic Bertrand and Cournot cases? What data would these theories suggest we need to examine to judge the merits of the claim?

In other words, what symptoms would we associate with Bertrand competition, which might be indicative of Cournot? Again, focus first and foremost on conceptual issues, but data to bring to bear in your conclusion. (Data include structural and not merely performance metrics.)

Part II: Mergers  (30 minutes suggested)

InBev and SABMiller-Coors both engaged in mergers, starting as small firms in Belgium and South Africa, respectively, and through acquisitions building a global presence. How should we make sense of these mergers?

Was their growth primarily due to one or more of the periodic US (and European) merger waves? Did mergers enhance their market power? Did they use predatory tactics relative to smaller brewers? Provide both a theoretical and an empirical perspective on the evolution of the beer industry.

Part III: IDs  (do all four; 30 minutes suggested)

Define the terms, but also make sure you indicate why these terms are significant for the study of industrial organization, using appropriate examples.

A. limit pricing  
B. fringe firms

C. overlapping markets  
D. tacit collusion

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