

SET A

Unique Paper Code: 12487906

Name of the Paper: Industrial Economics

Name of the Course: B. A. (Hons.) Business Economics, 2020 (CBCS)

Semester: V

Duration: 3 hrs

Maximum Marks: 75

Instructions for Candidates

1. Attempt any **four out of the given six** questions. All questions carry equal marks.
2. Illustrate your answer with suitable diagram, wherever required.
3. Both parts of the questions must be attempted together.

1. (a) Do you think that Structure, Conduct and Performance (S-C-P) paradigm of an industry are interrelated? Justify your answer while explaining interactive (S-C-P) model of industrial economics.

(b) How does Chicago School of thought is different from S-C-P model?

2. (a) Although management and ownership are normally separated, there are reasons to believe that deviations from profit maximization cannot be too large. Explain.

(b) Explain the Lerner index and Hirschman-Herfindahl index of concentration.

3. (a) Due to increased price competition, the equilibrium number of active firms varies less than proportionally with respect to market size. Discuss.

(b) The value of non-merging firms may decrease or increase as the result of a merger, depending on the cost efficiencies generated by the merger. Comment.

4. (a) The double marginalization problem is often invoked as an argument in favour of vertical integration. Do you agree with this statement? Justify your argument along with a suitable diagram.

(b) Incumbent firms have a greater incentive than entrants to perform Research & Development in case of a gradual innovation. What happens if the innovation is sufficiently drastic in nature? Discuss.

5. (a) Capacity pre-emption is a credible strategy for entry deterrence only if capacity costs are high and sunk. Explain.

(b) Advertising product characteristics increases product differentiation and consequently softens competition while advertising prices is likely to increase price competition. Discuss.

6. (a) In case of product differentiation. if price competition is intense, then firms tend to locate far apart and if price competition is not intense, then firms tend to locate close to the centre.
Comment.

(b) How investments externalities and indirect control are used by firms to control inter retailer externalities?