**Antitrust Policy and Government Regulation of Business**

**Questions and Problems**

**Questions:**

Use the graph to answer questions 1-5.



1. If this firm is a private profit-maximizer, what output will it produce? What price will it charge?
2. If the firm were regulated and instructed to set its price equal to marginal cost, what would its output and price be?
3. What problem would arise in that case?
4. If the firm were regulated and instructed to follow a zero-profit pricing mode, what would its output and price be?
5. What is the change in consumer surplus moving to a zero-profit regulatory model from the private profit-maximizing model?
6. Rank the following items according to the level of market concentration is most likely in each market, from least concentrated (most competitive) to most concentrated (least competitive).
	1. Candycorn
	2. An Aquaman costume
	3. Paper bags with Halloween decorations for trick or treating
	4. Projection systems to display witches and ghosts on the garage door
7. Go to <https://www.statista.com/statistics/271496/global-market-share-held-by-smartphone-vendors-since-4th-quarter-2009/> and compute the HHI for the global smartphone market. Assume that the “Other’ category consists of 12 firms, each with 2% of the market. How would the Department of Justice consider this industry? If Xiaomi, vivo, and Oppo merged, what would the new HHI value be?

1. Go to <https://www.counterpointresearch.com/us-market-smartphone-share/> and calculate the HHI for the U.S. market. This time, assume “Other” consists of two firms, each with 7% of the market.

**Answers:**

1. Q=10; P=$8
2. Q=35; P=$1
3. The firm would make negative profits and eventually shut down.
4. Q=30; P=$2
5. $\frac{∆P×∆Q}{2}=\frac{6×20}{2}=60$
6. c. Paper bags with Halloween decorations for trick or treating (low barriers to entry)
	1. Candycorn (low barriers to entry, but some equipment needs and technical knowledge needed)
7. Projection systems to display witches and ghosts on the garage door (higher barriers to entry due to capital costs)
8. An Aquaman costume (copyrighted character)
9. 1108. According to DoJ guidelines, this industry is fairly competitive.

If Xiaomi, Vivo, and Oppo merged, what would the new HHI value be? 1460

1. 2588