## Self-Check Questions

[1](http://openstax.org/books/principles-microeconomics-3e/pages/chapter-11#fs-idp20050208-solution).

Is it true that a merger between two firms that are not already in the top four by size can affect both the four-firm concentration ratio and the Herfindahl-Hirschman Index? Explain briefly.

[2](http://openstax.org/books/principles-microeconomics-3e/pages/chapter-11#fs-idm32347520-solution).

Is it true that the four-firm concentration ratio puts more emphasis on one or two very large firms, while the Herfindahl-Hirschman Index puts more emphasis on all the firms in the entire market? Explain briefly.

[3](http://openstax.org/books/principles-microeconomics-3e/pages/chapter-11#fs-idp133328928-solution).

Some years ago, two intercity bus companies, Greyhound Lines, Inc. and Trailways Transportation System, wanted to merge. One possible definition of the market in this case was “the market for intercity bus service.” Another possible definition was “the market for intercity transportation, including personal cars, car rentals, passenger trains, and commuter air flights.” Which definition do you think the bus companies preferred, and why?

[4](http://openstax.org/books/principles-microeconomics-3e/pages/chapter-11#fs-idp62461936-solution).

As a result of globalization and new information and communications technology, would you expect that the definitions of markets that antitrust authorities use will become broader or narrower?

[5](http://openstax.org/books/principles-microeconomics-3e/pages/chapter-11#fs-idm57918848-solution).

Why would a firm choose to use one or more of the anticompetitive practices described in [Regulating Anticompetitive Behavior](http://openstax.org/books/principles-microeconomics-3e/pages/11-2-regulating-anticompetitive-behavior)?

[6](http://openstax.org/books/principles-microeconomics-3e/pages/chapter-11#fs-idm35141040-solution).

Urban transit systems, especially those with rail systems, typically experience significant economies of scale in operation. Consider the transit system data in [Table 11.4](#Table_11_06). Note that the quantity is in millions of riders.

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Demand:** | **Quantity** | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|  | **Price** | 10 | 9 | 8 | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
|  | **Marginal Revenue** | 10 | 8 | 6 | 4 | 2 | 0 | –2 | –4 | –6 | –8 |
| **Costs:** | **Marginal Cost** | 9 | 6 | 5 | 3 | 2 | 3 | 4 | 5 | 7 | 10 |
|  | **Average Cost** | 9 | 7.5 | 6.7 | 5.8 | 5 | 4.7 | 4.6 | 4.6 | 4.9 | 5.4 |

Table 11.4

Draw the demand, marginal revenue, marginal cost, and average cost curves. Do they have the normal shapes?

[7](http://openstax.org/books/principles-microeconomics-3e/pages/chapter-11#fs-idm151696144-solution).

From the graph you drew to answer [Exercise 11.6](#fs-idm35141040), would you say this transit system is a natural monopoly? Justify.

Use the following information to answer the next three questions. In the years before wireless phones, when telephone technology required having a wire running to every home, it seemed plausible that telephone service had diminishing average costs and might require regulation like a natural monopoly. For most of the twentieth century, the national U.S. phone company was AT&T, and the company functioned as a regulated monopoly. Think about the deregulation of the U.S. telecommunications industry that has occurred over the last few decades. (This is not a research assignment, but a thought assignment based on what you have learned in this chapter.)

[8](http://openstax.org/books/principles-microeconomics-3e/pages/chapter-11#fs-idm85133776-solution).

What real-world changes made the deregulation possible?

[9](http://openstax.org/books/principles-microeconomics-3e/pages/chapter-11#fs-idm43695440-solution).

What are some of the benefits of the deregulation?

[10](http://openstax.org/books/principles-microeconomics-3e/pages/chapter-11#fs-idm15499232-solution).

What might some of the negatives of deregulation be?