Industrial Organization: A European Perspective

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April 8, 2004

Abstract

p. 12 (15 January 2003): in footnote 16, the expression for the slope of the demand curve is inverted. The footnote should read:

If the demand curve is linear, with equation \( p = a - bQ \), then \( \frac{dQ}{dp} = -1/b \) and the price-elasticity of demand at a point \((Q, p)\) on the demand curve is \( \varepsilon_{Qp} = p/bQ \).


p. 80: (24 February 2004): the column vector under terminal node \( T_1 \) should be

\[
\begin{pmatrix}
5 \\
1
\end{pmatrix}
\]

p. 95: (6 April 2004): Figure 5.1 is incorrect; the area \((c_1 - c_2)Q_1\) should also be shaded, and the paragraph immediately after equation (5.2) should read:

This is shown in Figure 1 as the difference between the area \((P_2 - c_2)Q_2\), profit after the innovation, and the area \((P_1 - c_1)Q_1\), profit before the innovation.\(^1\) p. 138: (7 April 2004): the first sentence of Problem 6-4 should begin “For a quantity-setting oligopoly with…”

p. 168 (22 April 2003): the word “curves” is omitted in the third line of the third paragraph, which should read (footnote omitted):

This is illustrated in Figure 8.5, which refers to a situation in which two countries are each home to one firm in a homogeneous-product industry. Each firm sells in both markets. In Figure 8.5, the best response curves for each country are drawn supposing that outputs in the other market are at their equilibrium levels.

\(^1\)The area \((P_2 - c_1)Q_1\) is common to revenue before and after discovery of the lower-cost technology.
Figure 1: Profit to be gained by innovation under monopoly; $p = 100 - Q$; $c_1 = 50; c_2 = 25; Q_1 = 25, P_1 = 100 - 25 = 75, Q_2 = 37.5, P_2 = 62.5$.

Bottasso and Sembenelli (2001) use data on a sample of 745 Italian firms over the period 1982–93 to analyze the impact of the Single Market Program on firm and market performance. For firms operating in industries where the removal of non-tariff barriers to trade could be expected to make a significant increase in competition possible, they find that estimated price-cost margins (the Lerner index of market power, (1.15) or (2.34)) range from 15.8% to 19% for the years 1982–7 and from 6.6% to 10.7% for the years 1988-93. They also find an increase in productivity growth for the same firms in the years 1985–7, which is (p. 184) “consistent with the idea of sen-
sitive firms anticipating an ... increase in competitive pressure by reducing inefficiencies."

Note also that they report the markup \((p - c)/c\) and I have used this to infer the Lerner index \(((p - c)/p)\).