

Employ *jargon*, refer explicitly to our models, recall structures and (p,q,π) outcomes associated with each, what might make one model a more natural choice and what might offset or shift results away from the "pure" case of a base model. What strategic behavior is consistent with your jargon and model?

A Blue Book is fine but not necessary. Sign and pledge. Closed book.

120 minute time limit – keep answers focused, don't write too much!

A. Monopoly **Answer (2) Two** **10 min each**

1. Monopoly: so what? *Argue that monopoly is bad for us: CS, PS and so on.*
2. Monopoly: so what? *Argue that monopoly is good for us.*
3. Monopoly: so what? *It's inevitable, but we can manage the side effects.*

B. Assemblers **Answer (2) Two** **10 minutes each**

4. In 1994 there were but a handful of private vehicles in China; today annual sales have hit 25 million vehicles, in a 90 million unit global market. *What are the implications of this market expansion?*
5. In product development and production engineering, CAD and simulation tools have replaced hand-drafted blueprints and the testing of prototypes. Engineers are also now good at sharing a "platform" that incorporates a base drivetrain, the most costly system to develop, as a basis for multiple vehicles. *What are the implications of this shift in costs?*
6. A modern assembly plant turns out 240,000 units per year. Once built, expanding output beyond design capacity is hard. Firms must also order parts well in advance, because suppliers in turn have capacity and inventory limits. *How might this affect the nature of competition in the industry?.*

C. Dealers **Answer Both** **10 minutes each**

7. Dealers require land and inventory. They also need staff familiar with the technicalities of financing and legal compliance. Lots of banks lend to such business; there are over 10,000 dealerships so skills are widely dispersed. *Think about long-run performance.*
8. Dealers carry large inventories, and swap vehicles with other dealers when they need a car with a particular color. If 10 customers suddenly walk in wanting nearly-identical cars, they can get them. Now at one time each small town had a couple dealers; many still do. Today however good roads connect these former small towns, which we now call suburbs. There's the internet, too. *Think of short-run behavior.*

Food for thought: would you as (say) a Ford exec be comfortable with this retail structure? If not, what could you do about it?

D. Extensions **Answer One** **10 minutes**

9. Add your own question. (Answer it, too!) Try to embed *one* of the above scenarios in a vertical context (*cf.* my "food for thought"), or otherwise enriching your story using our models of product differentiation, collusion and so on.