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| **1.*** Bottom of Form

An industry consists of three firms with sales of $300,000, $700,000 and $250,000.1. Calculate the Herfindahl-Hirschman index (HHI). **SHOW ALL WORK**
2. Calculate the four-firm concentration ratio (C4). **SHOW ALL WORK**
3. Based on the FTC and DOJ Horizontal Merger Guidelines described in the text, do you think the Department of Justice would attempt to block a horizontal merger between two firms with sales of $300,000 and $250,000? **Explain**

**2.**A firm has $1.5 million in sales, a Lerner index of 0.57, and a marginal cost of $50, and competes against 800 other firms in its relevant market.1. What price does this firm charge its customers? **SHOW all work**
2. By what factor does this firm mark up its price over marginal cost? **SHOW all work**
3. Do you think this firm enjoys much market power? **Explain**
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