Discussion Review 6 Paper details: \* Answer Review Questions 1–4 on p.366 1. Explain the differences between tacit and explicit collusion. 2. Describe the five factors that make an industry particularly conducive to collusion. 3. Some countries’ competition and antitrust policies are pro-competition and pro-consumer, whereas other countries’ policies are pro-incumbent and proproducer. How do they differ? 4. Suppose in Country A, a widget firm has absorbed all of its fixed cost (cost that does not change with the level of output such as rent), and now all additional cost is only variable cost (cost that does vary with the level of output such as raw materials). In Country A, the price was enough to cover both its fixed cost of $100 and variable cost of $10 and provide an additional profit of $10. It sold only one for a price of $120. Suppose the widget firm received an order from Country B for one widget and indicated that the buyer in Country B would pay $20—enough to cover the variable cost of $10 and provide a $10 profit. If the widget firm agrees, it will have total cost for the two widgets (one sold in Country A and one in Country B) of $100 fixed cost plus $20 variable cost—that is an average total cost for two units of $60. If it sells the widget to Country B for $20, will it be selling it above or below cost? Explain. Answer Review Questions 1–4 on p.395–396 1. List several examples of contractual and equity-based alliances. 2. Are mergers or acquisitions more common? Why? 3. In what two primary areas do formal institutions affect alliances? 4. Describe at least one norm (or collective assumption) and how it would affect a firm’s perspective on creating an alliance