# Measuring Market Power

## Simple aggregation

$C_4 = \sum_{i=1}^{4} s_i$ ← four

least concentration

$[0, 1]$

↑ max concentration

A. $C_4 = .60$ $C_6 = .70$

B. $C_4 = .90$ $C_6 = 1$

C. $C_4 = 1$ $C_6 = 1$

| | A | B | C |
|---|---|---|---|
| Firm 1 | .20 | .60 | .90 |
| 2 | .20 | .10 | .05 |
| 3 | .10 | .10 | .05 |
| 4 | .10 | .10 | |
| 5 | .05 | .05 | |
| 6 | .05 | .05 | |

market share

## Herfindahl Index

$$H = \sum_{i=1}^{n} s_i^2$$

A: $H = .2^2 + .2^2 + .10^2 + .10^2 + .05^2 + .05^2$

$= .04 + .04 + .01 + .01 + .0025 + .0025 = .105$

B: $H = .6^2 + .01 + .01 + .01 + .0025 + .0025$

$.36 + \cdots + = .395$

C. $H = .9^2 + .0025 + .0025$

$= .81 + \cdots + = .815$