

## Quiz 2: Internal Market Program

The European Internal Market Program aims at removing all trade barriers between the Member States.

- What is the likely effect on the number of firms and market concentration in Europe?
- What are the welfare gains?

Hint: You may attempt to analyze this question more formally, using the entry model discussed in the lecture notes. To simplify the analysis, you may assume that Europe consists of two countries of equal size, that there is not trade before the reform and that there are barriers to trade (and no transportation costs) after the reform.