

14.20 – Spring 2003

Discussion Questions for February 10 Lecture

Read the article “Hard Profits: A Cement Titan in Mexico Thrives by Selling to the Poor—Cemex’s Huge Market Share Lets It Keep Prices High, Expand Around the Globe,” *Wall Street Journal*, April 22, 2002, A1. [Available through Dow-Jones.]

Come to class prepared to discuss the following questions:

1. What is the source of monopoly power for Cemex?
2. How would you characterize the behavior of Cemex in Mexico?
3. How would you characterize the behavior of Cemex outside Mexico? If this differs from your answer to question 2, explain what you think accounts for this.
4. Use the data the article provides on the prices and costs per ton of cement in the U.S. and Mexico to calculate the implied demand elasticities. Recall that $(P-MC)/P$ is equal to the inverse of minus the demand elasticity in equilibrium.