

19. Correct. The answer is false. *HHI* computed using percents for the three unequal sized firms is:

$$40^2 + 40^2 + 20^2 = 3600$$

HHI for three equal size firms is:

$$333^2 + 333^2 + 333^2 = 333$$

A higher Hirschman Herfindahl index represents more not less market concentration.

If you prefer to work in shares, the conclusion is the same. *HHI* computed using shares for the three unequal sized firms is:

$$0.4^2 + 0.4^2 + 0.2^2 = 0.36$$

HHI for three equal size firms is:

$$0.333^2 + 0.333^2 + 0.333^2 = 0.333.$$

HHI again suggest the market with three equal sized firms is less concentrated.