

## 2003 Paper 4 Question 2

### Economics and Law

- (a) Describe *three* ways in which progress in information technology affects the expected size of firms, including at least one factor that favours larger firms and at least one factor that favours smaller ones. [12 marks]
- (b) If the US Department of Justice had managed to split Microsoft into an operating systems company and an applications company, do you think the demerged companies would have been worth more, or less, in the long run? Briefly justify your answer. [4 marks]
- (c) Would such a demerger have had an effect on the size of the average software company, and if so, what? [4 marks]