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Reply to Professor Stigler

Michael O. Finkelstein

Richard M. Friedberg

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The Herfindahl index to which Professor Stigler refers is equivalent to the remainder measure (without the translation feature) discussed in the text.¹ It does not lead to the same results as the entropy measure, the chief difference (again, apart from the translation feature) being its insensitivity to the presence of small firms. For this reason it appears poorly suited to measure trends in concentration.² Apart from the limited discussion of the remainder measure in the text, we are not aware of any theoretical arguments supporting the Herfindahl index as a measure of probable competition in a market.³

MICHAEL O. FINKELSTEIN
RICHARD M. FRIEDBERG

1. See pp. 706-07. It is the reciprocal of the remainder measure.
2. For examples and discussion see pp. 706, 713n. 46.
3. Cf. Niehans, *An Index of the Size of Industrial Establishments*, 8 INT'L ECON. PAPERS 122 (1958).