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**MARKET STRUCTURE AND PRICE ADJUSTMENT OF MANUFACTURING
INDUSTRIES IN PENINSULAR MALAYSIA**

BY

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ABSTRACT

The Structure-Conduct-Performance (SCP) Paradigm suggests that market structure affects firm's conduct and conduct, in turn, affects performance. Empirical studies in both developed and developing countries seem to support this relationship. Means (1935) suggested that firms which acquire more market power are able to raise their profits easily. This may imply that a more concentrated market could exacerbate inflationary pressures in the economy.

The first segment of our study used OLS regression to test for the postulate of the SCP paradigm. In the second segment, the relationship between market structure and the rate of price adjustment was tested for the case of Malaysia. Our study showed that market variables such as absolute capital requirements, capital-output ratio and minimum efficient scale are important variables in affecting market performance. However, further empirical findings do not seem to lend support to the hypothesis that higher concentrated industries lead to higher inflation during the 1981-1992 period.

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