V18: Seminar 2 - Collusion and product differentiation

ECON3820/ECON4820 - Strategic Competition

February 16th 2018

Problem 1

Excercise 6.4 from Tirole's book.

Problem 2 (based on an exam question from Spring 1999)

Discuss the possibilities for firms in an oligopoly to collude to keep prices high. Discuss in particular how these possibilities depend on:

- the firms' patience
- the number of firms in the industry
- variations in market demand over time
- whether firms can observe each other's prices

Based on this discussion, what actions can the competition authorities take in order to deter such collusion?

Problem 3 (from the exam in 2006)

In many markets, products are differentiated in the sense that consumers differ with respect to which product variants are their preferred ones. Use the so-called "linear city-model" to discuss whether, in such a market, products offered in equilibrium tend to be more similar to each other, or more different, than what is socially optimal.