

# V18: Seminar 4 - Entry

ECON3820/ECON4820 - Strategic Competition

March 9th 2018

## **Problem 1**

Exercise 8.3 from Tirole's book.

## **Problem 2**

Exercise 8.7 from Tirole's book.

## **Problem 3 (based on an exam question from 2008)**

- (a) Explain what is meant by a “top-dog strategy” and a “fat-cat strategy”, respectively.
- (b) Discuss how an incumbent firm's investment in new technology can be viewed as a top-dog strategy to deter other firms' entry into the market. Can such a top-dog strategy help also when the incumbent decides to accommodate the entrant?
- (c) Discuss whether setting a price below the monopoly price is a credible strategy for an incumbent firm who aims at deterring future entry into the industry.