ECON 4820 Strategic Competition Spring 2012

Seminar set 2 – 2 March

Question 1

Exercise 6.4 in Tirole's book.

Question 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
- 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?

Question 3

(from exam 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.