ECON 4820 Strategic Competition - Spring 2016

Seminar Set 2 - Wed. 17 February

Question 1.

Exercise 6.4 from 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.