

**Seminar Set 4 - Wed. 16 March**

*Question 1.*

Exercise 8.1 from Tirole's book.

*Question 2.*

Exercise 8.3 from Tirole's book.

*Question 3. (exam 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.