

Industrial Economics (EC3313) 2006/07
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Extra Problem for Seminar 8

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- Consider the homogeneous-good Bertrand model described in Lecture 7 (the lecture that accidentally was labelled Lecture 6 — i.e., the lecture on Bertrand competition). Prove that there is exactly one Nash equilibrium of the model, and that in this equilibrium both firms set their prices equal to marginal cost.