

Economics Seminar, Indian Statistical Institute, New Delhi.

SPEAKER: **Subir K. Chakrabarti**, Indiana University-Purdue University Indianapolis (IUPUI)

TITLE: **Collusive Equilibrium in Cournot Oligopolies with Unknown Costs**

TIME: 11:30 AM - 1:00 PM.

DAY & DATE: Friday, July 31st, 2009

PLACE: Seminar Room 2, New Building

Abstract:

This paper studies collusive equilibria in infinite horizon repeated games with discounting in which the firms play a Cournot game each period with unknown costs. We find that there are pooled Perfect Bayesian equilibria that are collusive in which a firm plays exactly the same strategy irrespective of its realized cost. There are also separating equilibria with signaling as well as with communication, in which the firms produce the optimal incentive compatible quantity vector. In the separating equilibria with signaling, the firms play the strictly separating Bayesian Nash equilibrium in period 1 and then from period 2 onwards produce the optimal incentive compatible collusive quantity vector. In the separating equilibrium with communication the firms produce the optimal incentive compatible quantity vector from period 1 onwards after an initial communication phase. We show that among these equilibria, the separating equilibrium with communication gives the highest expected discounted sum of joint profits.

<http://www.isid.ac.in/~pu/seminar.html>