Endogenous Timing in a Mixed Bertrand-Edgeworth Duopoly

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Abstract

We determine the endogenous order of moves in a mixed price-setting duopoly game. In contrast to the existing literature on mixed oligopolies we establish the payoff equivalence of the games in which the private and the public firms can make their price decisions in three possible exogenously given orderings. Hence, it does not matter whether one becomes a leader or follower. In addition, we also establish that replacing a private firm by a public firm in the standard Bertrand-Edgeworth game with capacity constraints increases social welfare and that a pure-strategy equilibrium always exists.