

Supra-Competitive Prices and Market Power in Posted-Offer Experiments

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Abstract

This paper reports the results of a series of posted-offer experiments designed to examine the effects of static market power on prices, when other factors such as excess supply, the number of sellers, and dynamic incentives are held constant. Static market power results in a dramatic price increase in posted-offer triopolies with complete demand information. The effects of market power are not as obvious in duopolies, since it is possible to observe considerable tacit collusion with only two sellers, even in the absence of market power.

(paper available on request)