

# Wage-Rise Contract and Entry Deterrence: Bertrand and Cournot

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## Abstract

This paper is based on a two-stage model of an incumbent firm and a potential entrant. We consider two cases in terms of strategic relevance between both firms. We also consider both price-setting competition and quantity-setting competition. Therefore, we examine four cases. Each case is correlated with a prior commitment that generates kinks in the reaction curve of the incumbent firm. We then investigate the entry-detering equilibrium outcomes resulting from the prior commitment of the incumbent firm in all four cases.

**Keywords:** Entry deterrence, Wage-rise contract, Price-setting model, Quantity-setting model

**JEL Classification:** C72, D21, L13

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