

Stackelberg mixed competition with a foreign joint-stock firm

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Abstract

This paper studies the behaviors of a domestic state-owned firm and a foreign joint-stock firm in an international mixed duopoly model. Each firm is allowed to offer a wage-rise contract as a strategic commitment. The paper considers the following three stages. In the first stage, the domestic state-owned firm decides whether to offer the wage-rise contract. In the second stage, the foreign joint-stock firm decides whether to offer the wage-rise contract. In the third stage, both firms simultaneously and non-cooperatively choose their actual outputs. The paper demonstrates the equilibrium of the international mixed duopoly model.

Keywords: Wage-rise contract, International mixed duopoly, Domestic state-owned firm, Foreign joint-stock firm

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