International Mixed Duopoly and Strategic Commitments

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May 7, 2006

Abstract

This paper examines an international mixed model in which a social-welfare-maximizing domestic public firm competes with a profit-maximizing foreign private firm. The public firm can adopt either a lifetime employment contract or a wage-rise contract as strategic commitments. The foreign private firm decides whether or not to enter the market. The private firm enters the market if and only if its post-entry profit is positive. The paper shows the equilibrium of the international mixed model.

Keywords: International mixed duopoly, Domestic public firm, Foreign private firm, Lifetime employment contract, Wage-rise contract

JEL classification: H42, L30

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