

Errata file for  
 “Industrial Organization:  
 Practice Exercises with Answer Keys” Springer  
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1. **Chapter 2.**

- Exercise 2.8(b). Page 74. The sixth displayed equation of the page should read: "Rearranging and solving for  $q_1$ , we find firm 1's equilibrium output

$$q_1^* = \frac{n(1-c) - (n-1)(1-c')}{n+1}.$$

which is positive since  $n > n-1$  and  $1-c \geq 1-c'$ . We can finally insert this output level into firm  $i$ 's best response function to find its equilibrium output, that is,

$$\begin{aligned} q_i^* &= \frac{1-c'}{n} - \frac{1}{n} \left( \frac{n(1-c)}{n+1} - \frac{(n-1)(1-c')}{n+1} \right) \\ &= \frac{1+c-2c'}{n+1}. \end{aligned}$$

- Exercise 2.8(c). Pages 74-75. Last sentence of the page should read: "Evaluating firm 1's equilibrium output at  $c = c'$ , we obtain

$$\begin{aligned} q_1^* &= \frac{n(1-c) - (n-1)(1-c)}{n+1} \\ &= \frac{1-c}{n+1} \end{aligned}$$

Similarly, evaluating its rivals' equilibrium output at  $c = c'$ , we find

$$\begin{aligned} q_i^* &= \frac{1+c-2c}{n+1} \\ &= \frac{1-c}{n+1} \end{aligned}$$

where  $q_1^* = q_i^*$  coincides with the equilibrium output in a standard Cournot model with  $n$  symmetric firms."

- Exercise 2.8(d). Page 75. The answer should read: "First, recall that, as found in part (b), firm 1 is unambiguously active. However, each of its rivals is active if and only if  $q_i^* \geq 0$ , or

$$\frac{1+c-2c'}{n+1} \geq 0$$

which, solving for firm  $i$ 's costs,  $c'$ , simplifies to

$$c' \leq \frac{1+c}{2} \equiv \bar{c}$$

Therefore, when  $c' \leq \bar{c}$ , all firms are active. Otherwise, only firm 1 is active, as it benefits from a sufficiently strong cost advantage."

- Exercise 2.8(e). Page 75. The answer should read: "When  $c = c'$ , the inequality in part (d) becomes

$$c \leq \frac{1+c}{2}$$

that simplifies to  $c \leq 1$ ; a condition that holds by definition, so that all firms produce positive units when they are cost symmetric (as in the standard Cournot model with  $n$  symmetric firms)."

## 2. Chapter 3.

- Exercise 3.8, page 126, line 18 should read "... the entrant's profits should deduct the fixed costs  $F$ ."

## 3. Chapter 7.

- Exercise 7.16, page 329, line 2 should read "...  $\delta_{pre}$ , found in part (a)."