



The strategic robustness of mark-up equilibria

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Abstract This paper is an extension of the paper “The Robustness of Agent-Based Models of Electricity Wholesale Markets,” EPRG1213 which was motivated by the problem of analysing market power in liberalised electricity markets. That paper examined two particular forms of agent-based models commonly used in electricity market modelling, and showed that while these mark-up equilibria are robust against Nash deviations. This paper extends the earlier results to explain why these equilibria are robust to single firm Nash Cournot deviations but shows they are vulnerable to more sophisticated deviations.

Keywords mark-up equilibria, stability, oligopoly, agent-based modelling, learning

JEL Classification C63, C73, D43, L10, L13, L94

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