

# Quality and Imperfect Competition\*

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## Abstract

We study the relationship between market power and quality supply. We develop a flexible approach to imperfect competition in product qualities and prices (or quantities), which encompasses several existing models. We uncover sufficient statistics, including our *quality parameter*, which can be estimated empirically, for many comparative statics. These statistics allow us to extend the seminal analysis of quality distortion under monopoly to imperfect competition, and to analyze the effects of technology shocks and commodity taxes, as well as changes in market concentration. Our approach accommodates various modelling choices related to firms' costs, the timing of the game, or multi-product firms.

**Keywords:** Quality, Imperfect competition, Distortions, Technology shock, Incidence, Market concentration, Mergers, Investment, Innovation.

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