Abstract
This paper considers industries where a firm or group of firms acts as price leader.
It shows that entry in such industries can lead to higher prices through a crowding effect. Further, efficiency gains can lead to higher prices by making it too costly to fight. Mergers that bring the merged firms' efficiency close to that of the price leader(s) lead to higher prices if the merged firm does not belong to the group of price leaders. This is a formalization of joint dominance or coordinated effects. Finally, the model is extended to endogenize the identity of the price leader. This is done by allowing firms to make price announcements