

Abstract

This paper considers the existence of equilibrium price dispersion in a model of discount competition with perfect information and homogeneous agents. The congestion effect is introduced as the scarcity of good sold at low prices. Consumers take into account not only the prices but also the availability of goods. Firms set their bargain prices and limited supplies. There exists a continuum of asymmetric Nash equilibria in which any kinds of price dispersion exist. The game structure coincides with the proportional-share game which is known in the rent-seeking literature.