

# Quantity-Setting Games with Lifetime Employment Contracts as a Strategic Commitment

Kazuhiro Ohnishi\*

Osaka University

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## Abstract

This paper considers lifetime employment contracts as a strategic commitment and examines the respective equilibrium outcomes of the two cases of a quantity-setting duopoly game with substitute goods and a quantity-setting duopoly game with complementary goods. First, in the quantity-setting game with substitute goods, we find that there is an equilibrium in which both the firms adopt lifetime employment. Next, in the quantity-setting game with complementary goods, we find that there is an equilibrium in which at least one firm adopts lifetime employment, and that lifetime employment is beneficial for both the firms.

**Keywords:** Quantity-setting model, Substitute goods, Complementary goods, Lifetime employment contract

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\* Corresponding author. Phone/fax: 81-72-722-8638. Email: ohnishi@e.people.or.jp