

Dynamic coordination with timing frictions: theory and applications

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Several economic problems exhibit strategic complementarities: one's payoff from some action is larger if others take this action as well. For example, in a scenario of bank runs, withdrawing deposits from the bank might be the optimal action only if others also do so; for firms considering whether to invest or not, one important factor is the demand for their goods, which in turn depends on whether other firms choose to invest; adopting a new technology may not be the best decision if others in the production chain will keep working with an old technology.