

Criticisms - Limited application - in practise sunk costs may be extremely high. Once established in an industry the high sunk costs, like specialist machinery, would make a firm very reluctant to pull out . Takeovers and Mergers may reduce long - run costs and create unachievable economies of scale for new entrants. The level of technology required to enter an industry may be high , Incumbents protect themselves with patents, the theory ignores aggressive actions of incumbents who may make it known to potential entrants that they will resist new entrants by limit pricing.

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