

# 16.8 Dynamic Monopoly (Durable Goods Monopoly)

Saturday, November 7, 2020 3:43 PM



Today's monopolist is in competition with their future selves.

Time	1	2
High	5	3
Low	3	2

$P_1, P_2$

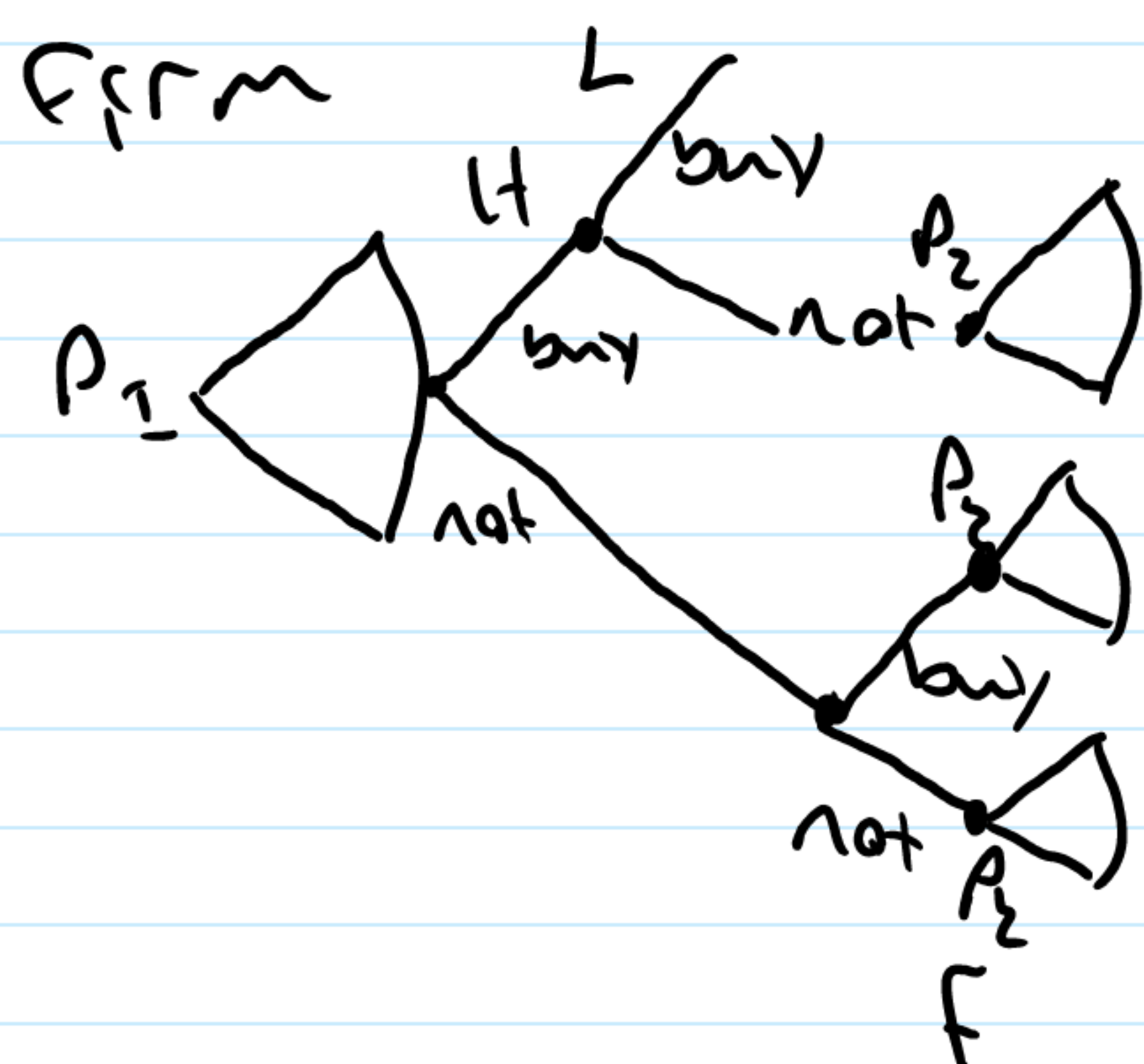
when is  $P_1=7, P_2=2$ ; buy @ 1, buy @ 2 the SPE

$$P_2=2 \rightarrow 8-P_1=3-2 \rightarrow P_1=7$$

$$L=1-h$$

$$V_{mon} = h7 + 2(1-h) = 2+h \quad \text{so } P_1=5$$

$$\hookrightarrow V_{mon} = h5 + (1-h)5 = 5$$



$$2+5h > 5 \Rightarrow h > 3/5$$

$$P_1=8, P_2=8 \rightarrow 8h > 2+5h \Rightarrow h > 2/3$$

Price guarantee!