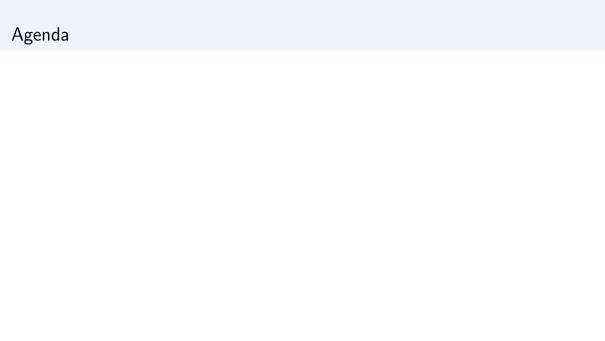
Uncertainty Week 1, Week 1 Classical probability and decision outcome based decisions

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Nuts and bolts: Market power and formal market power

- ▶ Power: The ability to acquire goods below their market price
- ▶ Market power: Market power is the ability to set prices above cost.
- ► Memo on cost: Costs subjective, depends on the uneasiness of the process of creation(think actors/writers)
- ► Formal Market power: r = (R-C)/C or if costs proportional to output then: r = (P UC)/UC
- ► **Effects for firms**: More profits
- ▶ Effects for consumers: Value transfer from consumer to firm

Nuts and Bolts 2: Static/Dynamic and Sources of market power

- ▶ Uncertainty: Incomplete knowlede about the probabilities of events.
- ▶ Why do we care?: Incomplete knowlede about the probabilities of events.
 - ▶ first 1
 - ► second 2

