**Group 2**

**A)**

**1.**

market power is the ability to set prices about cost.

power: the ability to acquire the goods below their market price

**2.**

⦁ Market size

⦁ Market share

⦁ Market penetration

⦁ Installed base

⦁ Product usage

⦁ Customer attitudes

⦁ Brand awareness

⦁ Advertising awareness

**3.**

* Apple
* Tesla
* Google
* Microsoft
* facebook

**4**

good: For companies selling their product at a high price will make them get more profit

bad: more and more companies will increase the price of their product so eventually everything will get more expensive.

**5.**

The former aims at maintaining the level of competition whereas the latter aims at increasing the level of competition.

**6.**

Deadweight loss, also known as excess burden, is a measure of lost economic efficiency when the socially optimal quantity of a good or a service is not produced. Non-optimal production can be caused by monopoly pricing in the case of artificial scarcity, a positive or negative externality, a tax or subsidy, or a binding price ceiling or price floor such as a minimum wage.

**B) Popular Questions:**

**1.**The strongest monopolies are the ones which has governmental privilege

**2.** Milton’s solution is free trading to solve the monopoly problem.

**3.** De Beers has owned the global diamond trade for many years. It has been called the biggest monopoly in the world. However they are not active anymore because the company did illegal things called price fixing.

**C) Academic question:**

**1.Read the abstract and introduction of the two papers below and write 400-500 words summarizing their main points and purpose.**

1. **link**

The design of revenue-maximizing mechanisms for a monopolist who expects her customers to resell has two cases of complexities. The first one is when the winner resells to the loser, the other one is when a third party gets the resale(not a participant in the primary market). If a monopolist wants to have an impact on the resale outcome he must create a disclosure policy which may require a stochastic selling procedure and an allocation rule as well, in order to optimally shape the beliefs of the entrants in the secondary market.

Enduring commodities are merchandised in both primary and secondary markets. Auctions are often followed by resale, which can occur when not all possible buyers participate in the primary market. Or if there are misallocations in the primary market resale could be the result. “...the design of optimal mechanisms for a monopolist who expects her buyers to resell” has two main cases. The first; when a third party gets the resale. Firstly the stochastic selling procedure in which the monopolist aims to get an offer at a higher bid, price. The monopolists are allowed to change the beliefs of the participants in the secondary market without eliminating the buyers who have intentions of paying lower prices. Secondly a disclosure policy might be required by the optimal mechanism. When a buyer’s appraisal is not known to the monopolist, he can only choose his customers and “at the same time disclose information to the third party” if he makes the high type pay a higher price then the lower. The second case is when optimal auctions are followed by inter-bidder resale. Efficiency in the secondary market depends on the revealed information in the primary market. Who makes the offer in the secondary market wins in the primary market according to Zheng. The distribution of bargaining power is based on the allocation of the good and on the individual characteristics of the players.

1. **link**

An equilibrium is unique when the buyers’ valuations are positive.

A dynamic theory the time path of prices is not the one that maximises the discounted stream of revenues minus costs. It is not the monopolist’s job to announce the maximizing price plan. A dynamically consistent plan must case that consumers anticipate prices correctly, and “At every point in time the monopolist can not increase the expected present value of his remaining profit by deviating from the price path that is expected by consumers”. A dynamic theory of monopoly is an equilibrium theory. According to Rubinstein the bilateral monopoly has a subgame-perfect equilibrium in pure strategies. Uniquely determined by the parties’ discounting rate the division of the gains from trade shows that bargaining is reached immediately. The equilibriums produced by uniform distribution of valuations have different price paths and profits for the monopolist. Discounting is optimal to determine the division of the gains from trade in monopolized markets.

**2. What is the relationship between the Coase Conjecture and giving the ability to consumers to resell their goods?**

To understand the relationship between the Coase Conjecture and giving the ability to consumers to resell their goods first we have to understand what is the Coase Conjecture.

This is an argument in monopoly theory which sets up a situation where there is a monopolist who sells a durable good (does not wear out quickly thus maintaining its value to a given consumer) in a market where resale is not possible. The consumers in this market have different valuations towards this product but the monopolist doesn’t know individual valuations. The Coase Conjecture argues that if the monopolist tries to separate different consumers by offering different prices over different time periods it would end up in a price war with itself. It is because those who value the product more won’t buy in the first time period where the prices are high as they know that if they wait the prices will drop, because the monopolist would like also to profit from those who value its product less. The monopoly can avoid this problem by adopting a stable linear pricing strategy or other business strategies.

Now that we have an idea about the Coase Conjecture, we can discuss what will happen if we give the ability to consumers to resell their goods. First this would create a secondary market where consumers can resell their goods but only if they managed to get the product in the primary market. This resell outcome is the result of an ultimatum bargaining game where players make take-it-or-leave-it offers with a probability that reflects their bargaining power. We can also see that the resale outcome has a dependence on the information disclosed in the primary market. We also have to consider two different cases where consumers can resell their products. The first case is where only those can buy in the secondary market who didn’t participate in the primary market. The second case is where everyone can participate in the secondary market. Both cases have different revenue-maximizing strategies and behave very differently while having fairly similar rules but both are very important in our cases as both allow for resale.

Considering all of the above we can conclude that allowing consumers to resell their goods in a monopoly have some very interesting effects.