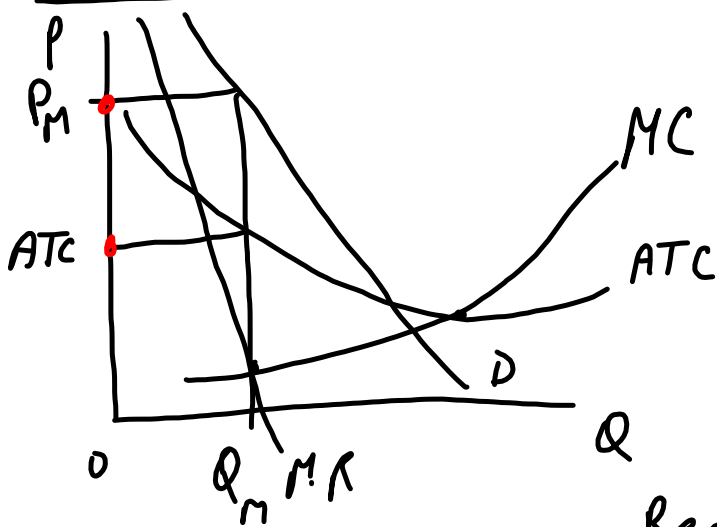


"Natural" Monopoly

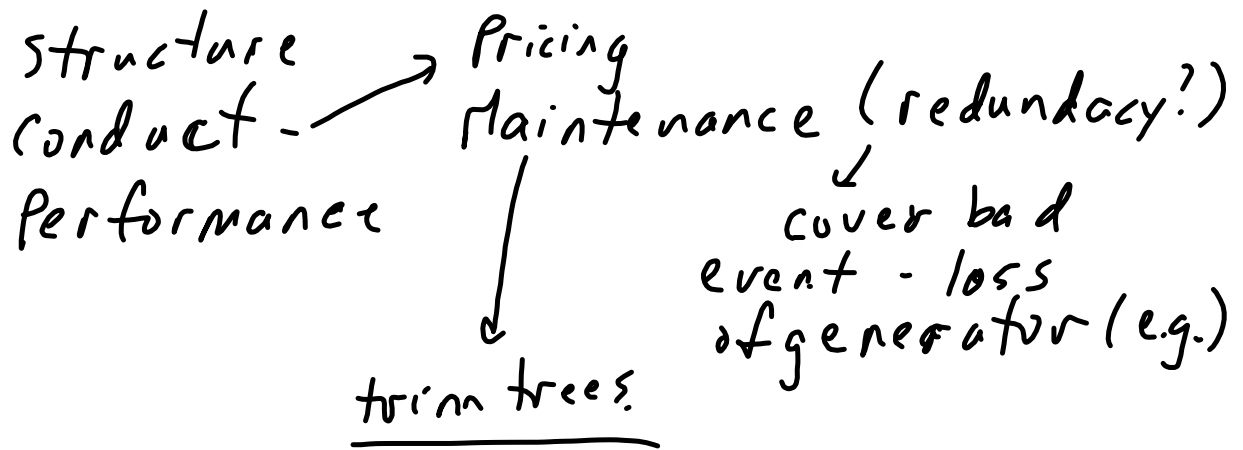


- least cost production is 1 firm  
 - franchise & regulate price  
 $P_m > P_R > ATC$

Reg. Comm.

Public Utility Board.

- Electric power - hydro  
 - gas  
 - coal.



"Accidental" monopoly

Microsoft - Explorer with Windows OS

90% of PC market Windows

sargued. Accidental

Network externalities

- file transfers - identical OS

- extension of monopoly power?

- tied sales - monopoly in X

- force buyers of X to also

buy Y from me (no monopoly in Y)

- Xerox - paper - lease not buy copier

Robinson-Pattman, 1936 - Conduct

R - P 1936

"bait & switch" - advertise product  
on sale - & "run out" - push  
another product

- misleading advertising -

- Resale Price maintenance

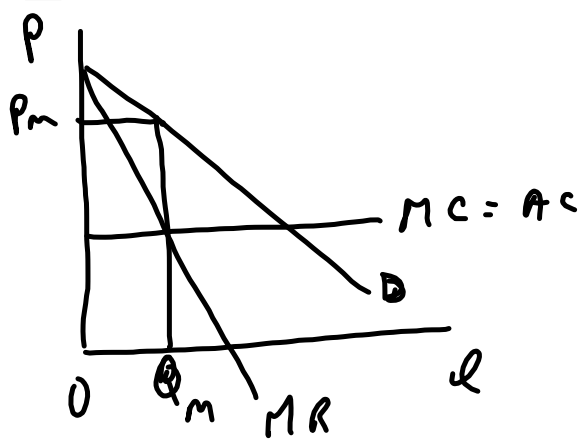
Retailer must charge  
price set by manufacturer

manufacturers wanted to control  
sales effort - protect

sellers with profit margin

- manufacturers - refuse to sell to  
retailers offering discounts

## Simple Monopoly - one price



- price discrimination
- legal.
- multiple prices

- segment market + prevent arbitrage
  - each segment sees price
  - (exploit  $\eta$ )
  - in state vs out of state
  - tuition + fees

Perfect price discrimination

- each consumer pays unique price

=  $WTP - \epsilon$

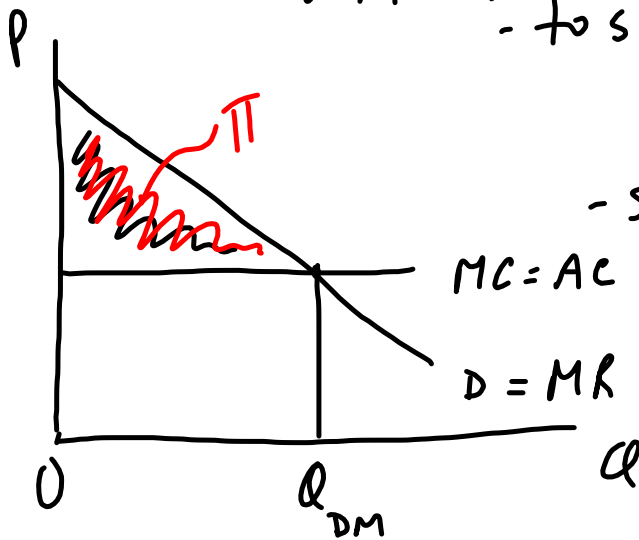
- to sell one more unit  
cut price on  
that unit

- services not  
transferable

- medical

- dental.

- legal!



$MC = WTP$

All-or-nothing offer  $(P', Q')$  or  $(0, 0)$

- capture all surplus