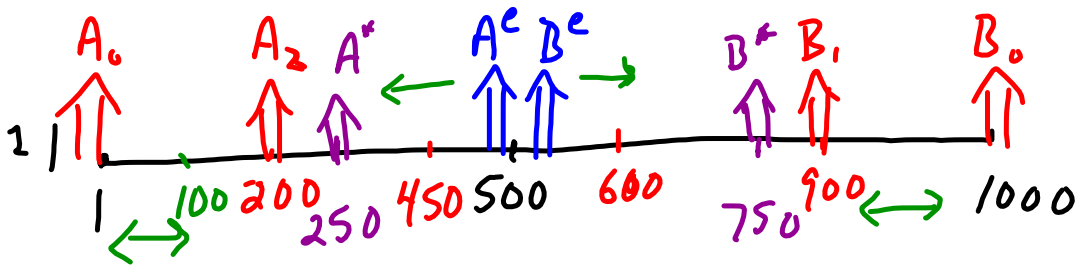


Monopolistic Comp.

- non-price competition

Harold Hotelling - spatial competition
↳ differentiate

also - how might compete
with same (similar)
product



Beach - 1000 yds - 1000 customers
 2 ice cream vendors - same products
 (distance determines who buy from) - closest

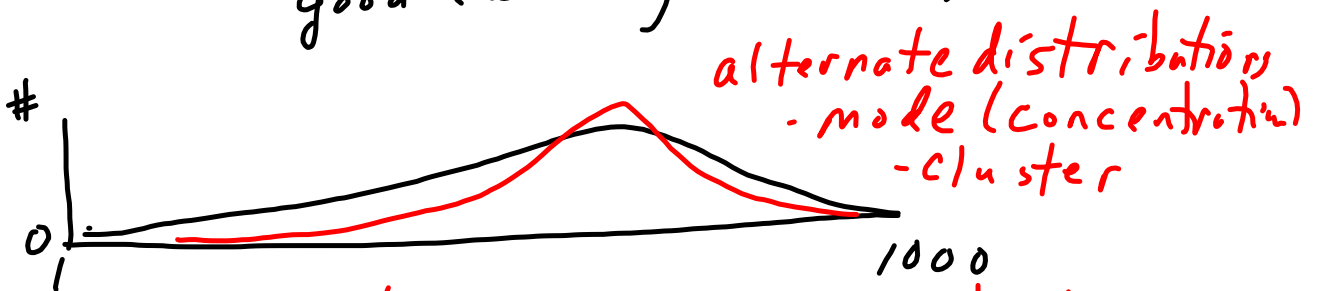
- B_1 - sells to 550
- A - " to 450
- A_2 - sells to 600
- B_1 - " to 400

A^e, B^e - equilibrium

"Later" - Beach sand gets hot - less willing to walk - erode market

A^*, B^* - optimal for consumers - min. walking distance

Beach - uniformly distributed taste good (walking distance)



MPG - gas \$4.00 - cluster at high mpg
 complement - gas \$2.00 - cluster lower mpg

Length of warranty - Hyundai 10yr / unlimited miles

BMW - 3 / 36,000

- compete non-price - advertise
- advertising - good or bad?
- cost of x minutes of advertising
depend on audience size
 - ↳ demographics
 - age
 - gender
 - education
 - income

Oligopoly - 2 or a few sellers of same product

- interdependent - choice by firm A affect others
- recognition - react by others
- beach \rightarrow costs \uparrow A+B
- if A+B could collude (agree) to not move toward center net π 's higher
- vulnerable - to cheating by A or B

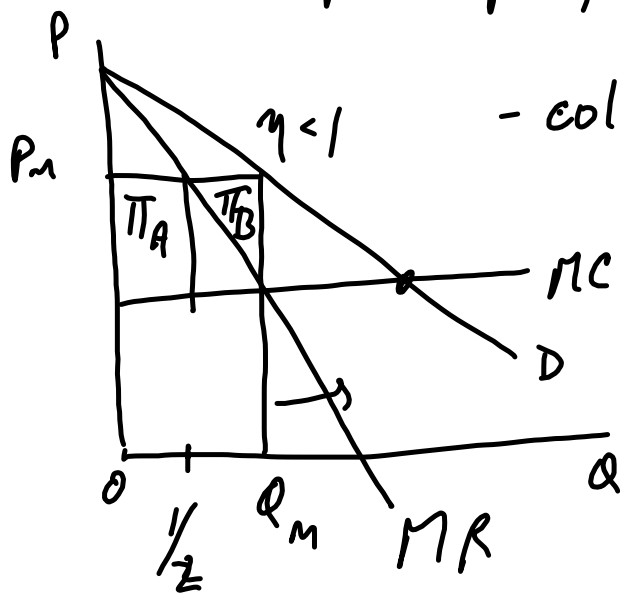
Beach → street Baltimore
product drugs - illegal.



Oligopoly - few → limit 2 firms - A & B

compete - output ↑
- price ↓ or

- best outcome → act as if 2 plant monopoly



A $\frac{1}{2} Q_M$
B $\frac{1}{2} Q_M$
- collusive agreement
- vulnerable to cheating (Q ↑ A or B)
P ↓ - π ↓ for non-cheating firm