

Information - Spence
Stiglitz
Akerlof } Nobel Prize

Google
Amazon
Yahoo
E-bay } - Economists

Assume → symmetric info.

→ perfect info

1926 McPherson v. Buick Motors

pre 1926 - sue dealer

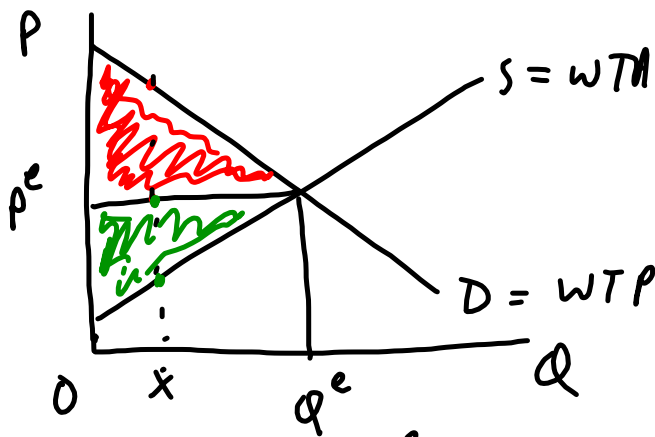
"privity of contract" → sue manufacturer

Cardozo - standing to sue
manufacturer

✓ duty of care

least cost avoider - best
informed.

Chapter 7 - S & D



D → sum of buyers' WTP
 D shift
 = Income ↑ ↓
 - Tastes
 - Number of consumers

S - shift
 - cost of inputs
 - Number of sellers

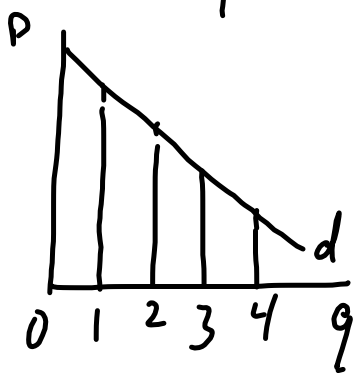
$WTP = WTA = P^e$

Maximizes Welfare
 → surpluses to buyer & seller

Buyer Surplus = $WTP - P^e$

Seller " = $P^e - WTA$

Buyer → diminishing marginal utility (DMU)
 MU - benefit from next unit
 pizza -

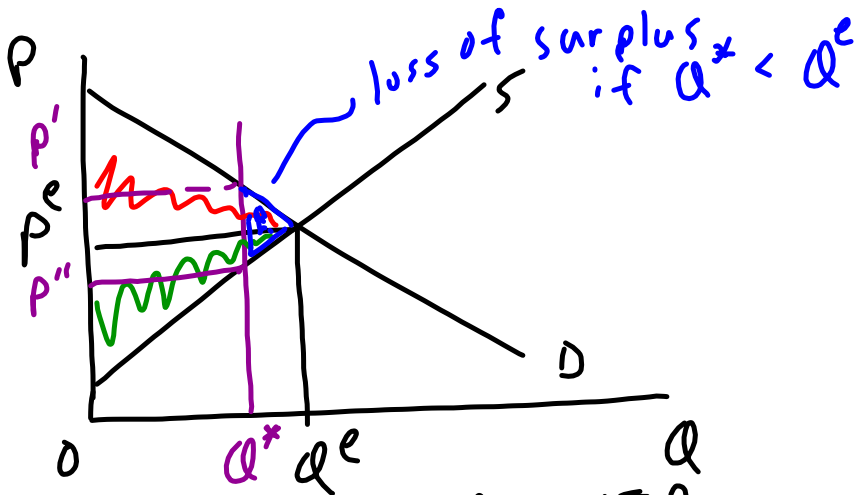


q - 1 individual.

d slopes down
 DMU

Addictive behavior - reverses DMU

Aside



$S \neq D$ true WTA \neq WTP
 But capacity constraint at Q^* -
 due to regulation
 rationed at Q^* - what sets P ?
 Face \$60 Scalp \$350
 $Q^* < Q^e \rightarrow$ price \uparrow
 \rightarrow non-price rationing.

- Expect supply interruption - price not allowed to increase
- hoarding - "sold out"
 - supply chain management
 - schedule delivery on normal (average) D.
 - spike in D → shortage (time delay for new delivery schedule)

"value" of market is
 surplus generated
 new market → surplus

HD TV - history

