

Lecture Note 7

Armstrong, M., Cowan, S., Vickers J. (1994): Chapter 4

Please answer the following questions:

1. What are the 3 policy questions regarding the removing of legal barriers for monopoly markets? What are the 4 types of “desirable and feasible” competition markets? Give an example for each type.
2. What is understood as potential competition?
3. What are stand-alone and incremental costs? When can a natural monopoly be non-sustainable?
4. Excess entry can reduce welfare thus a partial liberalization seems a proper policy. What are the six points against this statement?
5. Competition has several effects:
 - Regarding Selection: What is understood as selection? How does this apply in auctions and Cournot competition (briefly!)?
 - Regarding Incentives: What is understood under comparability?
 - Regarding Innovation: What are the similarities to excess entry?
6. Give a brief overview on the four advantages of incumbents regarding the deterrence of competitors' entry.
7. How can entry of competitors be assisted?
8. Franchising of monopoly activities can be favourable under what conditions? What does this mean for gas or electricity networks?
9. Regulation and competition interfere. What are the three possible outcomes of different price structure regulation approaches in a two product monopoly acting in one competitive market?