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## Chapter 1 : Competitive and Cooperative Approaches to Conflict | Beyond Intractability

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Options for a negotiated settlement are limited in some cases by a fixed pie a set amount of rewards that must be divided one way or the other. Such situations leave no alternative for mutual gains and therefore parties must utilize competitive negotiation tactics to pursue their goals. Competitive approaches align with the process of distributive bargaining, which result in win-lose outcomes. A competitive approach to conflict tends to increase animosity and distrust between parties and is generally considered destructive. It is important to remember though, that negotiating an acceptable agreement always includes common and conflicting goals. Therefore both cooperation and competition are necessary to some extent in order to reach resolution. In other words, "[n]egotiators must learn, in part from each other, what is jointly possible and desirable. To do so requires some degree of cooperation. But, at the same time, they seek to advance their individual interests. This involves some degree of competition. Scholars in the field of social psychology, particularly Morton Deutsch, have developed theories about factors that influence whether a person approaches a conflict cooperatively or competitively. The most important factors are the nature of the dispute and the goals each side seeks to achieve as a result of it. According to his theory, the type of interdependence existing between negotiating parties will largely guide how they interact. Deutsch identifies two basic types of goal interdependence -- positive and negative. Constructive and Destructive Processes, The approach or conflict style a negotiator chooses to take when entering negotiations may be based on rational criteria, such as selecting the style that will most likely lead to the desired goals. However, the personalities of the people involved may also play a significant role in which conflict styles are brought to the negotiating table. Thus, it is also possible that some people consistently use a certain style "because they have a personality predisposition to do so. A competing style -- high on assertiveness and low on cooperativeness. An accommodating style -- low on assertiveness and high on cooperativeness. An avoiding style -- low on both assertiveness and cooperativeness. A collaborating style -- high on both assertiveness and cooperativeness. A compromising style -- moderate on both assertiveness and cooperativeness. Additional insights into competitive and cooperative approaches to conflict are offered by Beyond Intractability project participants

Cooperative styles are characterized by: These groups have less problems communicating with and understanding others. Members tend to be generally more satisfied with the group and its solutions as well as being impressed by the contributions of other group members. Communication is obstructed as the conflicting parties try to gain advantage by misleading each other through false promises and misinformation. The competitive process fosters the notion that the solution of the conflict can only be imposed by one side on the other. This process tends to expand the range of contested issues and turns the conflict into a power struggle, with each side seeking to win outright. This sort of escalation raises the motivational significance of the conflict for the participants and makes them more likely to accept a mutual disaster rather than a partial defeat or compromise. Competition in sports, for example, encourages each side to strive for excellence. Although most sporting events are structured in a win-lose sort of way, good sportsmanship norms ensure that the games are played fairly, and in many instances, the loser gets to come back and play again on equal ground.

Current Implications This essay appears in the negotiation section of Beyond Intractability, but I put it in the framing section of the Fundamentals Seminar, because it explains several ideas first suggested in the previous, Process Frames, essay. This essay goes further to explain why people tend to choose either a cooperative or competitive frame and hence style of engagement and what the implications of that choice are. In June, , both the Republicans and the Democrats are vowing and whenever possible implementing revenge against the other, which just makes the other even angrier, and more determined to retaliate. So our political divides are growing deeper and deeper and little if anything is being done to address our increasingly pressing social,

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environmental, and economic problems while the political fights continue to lead to standoffs. We need to admit that our goals are interdependent, and start changing our process frames to behave accordingly! Sebenius, *The Manager as Negotiator: The Free Press*, , Theory and Practice, eds. Jossey-Bass Publishers, , *Constructive and Destructive Processes* New Haven: Yale University Press, , Theory and Practice, which offers a summarized version of his older work. Saunders and John W. Minton, *Negotiation*, 3rd Edition San Francisco: Irwin McGraw-Hill, , The other ideas comprising this section were also drawn from this work, pp. Use the following to cite this article: Guy Burgess and Heidi Burgess.

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## Chapter 2 : A note on price-taking and price-making behaviours in general equilibrium oligopoly models - C

*Economic Theory, Econometrics, and Mathematical Economics: A Series of Monographs and Textbooks: Noncooperative Approaches to the Theory of Perfect Competition focuses on the application of noncooperative approaches to the theory of perfect competition, including Cournot game, no-surplus condition, and Nash equilibria.*

The firms in the industry, with heavy investment, using improved technology and reaping economies of scale in production, sales, promotion, etc, will compete and stay in the market. In many industries, the new firms cannot enter the industry as the big firms have ownership of patents or control of essential raw material used in the production of an output. The heavy expenditure on advertising by the oligopolistic industries may also be a financial barrier for the new firms to enter the industry. If the few firms in the industry smell the danger of entry of new firms, they then immediately merge and formulate a joint policy in the pricing and production of the products. The joint action of the few big firms discourages the entry of new firms into the industry. As the number of firms is small in an oligopolistic industry, therefore, they keep a strict watch of the price charged by rival firms in the industry. The firm generally avoid price war and try to create conditions of mutual interdependence. Every seller is so influential that his rivals cannot ignore the likely adverse effect on them of a given change in the price-output policy of any single manufacturer. The rival consciousness or the recognition on the part of the seller is because of the fact of interdependence. The demand curve under oligopoly is indeterminate because any step taken by his rivals may change the demand curve. This is because the oligopolist avoids experimenting with price changes. He knows that if raises the price, he will lose his customers and if he lowers it he will invite his rivals to price war. Small output and high prices: As compared with perfect competition, oligopolist sets the prices at higher level and output at low level. Restriction on the entry: Like monopoly, there is a restriction on the entry of new firms in an oligopolistic industry. Prices exceed Average Cost: Under oligopoly, the firms fixed the prices at the level higher than the AC. The consumers have to pay more than it is necessary to retain the resources in the industry. Some economists argued that there is a low level of production efficiency in oligopoly. There is no tendency for the oligopolists to build optimum scales of plant and operate them at the optimum rates of output. However, the Schumpeterian hypothesis states that there is high tendency of innovation and technological advancement in oligopolistic industries. As a result, the product cost decreases with production capacity enhancement. It will offset the loss of consumer surplus from too high prices. In order to snatch markets from their rivals, the oligopolistic firms may engage in aggressive and extensive sales promotion effort by means of advertisement and by changing the design and improving the quality of their products. Wider range of products: Under oligopoly, vide sums of money are poured into sales promotion to create quality and design differentiations. Hence, from the point of view of economic welfare, oligopoly fares fairly badly. The oligopolists push non-price competition beyond socially desirable limits. The price and output behaviour of the firms operating in oligopolistic or duopolistic market condition can be studied under two main heads: Price and Output Determination under Duopoly: The firms may agree on a price, or divide the total market, or assign quota, or merge themselves into one unit and form a monopoly or try to differentiate their products or accept the price fixed by the leader firm, etc. The firm having lower costs, better goodwill and clientele will drive the rival firm out of the market and then establish a monopoly. The firm good quality product with lesser cost will earn abnormal profits. Each firm will fix the price of the commodity and expand output in accordance with the demand of the commodity in the market. Price and Output Determination under Oligopoly: There is no single theory which satisfactorily explains the oligopoly behaviour regarding price and output in the market. The degree of imperfect competition in a market is influenced not just by the number and size of firms but by how they behave. When only a few firms operate in a market, they see what their rivals are doing and react. Collusion is an oligopolistic situation in which two or more firms jointly set their prices or outputs, divide the market among them, or make other business decisions jointly. It is strictly illegal in Pakistan and most

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countries of the world for companies to collude by jointly setting prices or dividing markets. When firms tacitly collude, they often quote identical high prices, pushing up profits and decreasing the risk of doing business. The rewards of collusion, when it is successful, can be great. It is more illustrated in the following diagram: The optimum price for the collusive oligopolist is shown at point G on DaDa just above point E. This price is identical to the monopoly price, it is well above marginal cost and earns the colluding oligopolists a handsome monopoly profit. The kinky demand curve model tries to explain that in non-collusive oligopolistic industries there are not frequent changes in the market prices of the products. The demand curve is drawn on the assumption that the kink in the curve is always at the ruling price. The reason is that a firm in the market supplies a significant share of the product and has a powerful influence in the prevailing price of the commodity. Under oligopoly, a firm has two choices: Each firm in the industry is fully aware of the fact that if it increases the price of the product, it will lose most of its customers to its rival. In such a case, the upper part of demand curve is more elastic than the part of the curve lying below the kink. In case the firm lowers the price, its total sales will increase, but it cannot push up its sales very much because the rival firms also follow suit with a price cut. If the rival firms make larger price cut than the one which initiated it, the firm which first started the price cut will suffer a lot and may finish up with decreased sales. The oligopolists, therefore avoid cutting price, and try to sell their products at the prevailing market price. These firms, however, compete with one another on the basis of quality, product design, after-sales services, advertising, discounts, gifts, warranties, special offers, etc. In the above diagram, we shall notice that there is a discontinuity in the marginal revenue curve just below the point corresponding to the kink. During this discontinuity the marginal cost curve is drawn. This is because of the fact that the firm is in equilibrium at output ON where the MC curve is intersecting the MR curve from below. The kinky demand curve is further explained in the following diagram: The demand curve is kinked at point B. When the price is Rs. If a firm decides to charge Rs. In case, the producer lowers the price to Rs. Its sales with a big price cut of Rs. The firm does not gain as its total revenue decreases with the price cut. Under price leadership, one firm assumes the role of a price leader and fixes the price of the product for the entire industry. The other firms in the industry simply follow the price leader and accept the price fixed by him and adjust their output to this price. The price leader is generally a very large or dominant firm or a firm with the lowest cost of production. It often happens that price leadership is established as a result of price war in which one firm emerges as the winner. In oligopolistic market situation, it is very rare that prices are set independently and there is usually some understanding among the oligopolists operating in the industry. This agreement may be either tacit or explicit. Types of Price Leadership: There are several types of price leadership. The following are the principal types: It sets the price and rest of the firms simply accepts this price. It compels other firms to follow it and accept the price fixed by it. In case the other firms show any independence, this firm threatens them and coerces them to follow its leadership. Price Determination under Price Leadership: There are various models concerning price-output determination under price leadership on the basis of certain assumptions regarding the behaviour of the price leader and his followers. In the following case, there are few assumptions for determining price-output level under price leadership: Since we have assumed that the firm A has a lower cost of production than the firm B, therefore, the  $MC_A$  is drawn below  $MC_B$ . Now let us take the firm A first, firm A will be maximising its profit by selling OM level of output at price MP, because at output OM the firm A will be in equilibrium as its marginal cost is equal to marginal revenue at point E. Two firms have to charge the same price in order to survive in the industry. Therefore, the firm B has to accept and follow the price set by firm A. This shows that firm A is the price leader and firm B is the follower. Since the demand curve faced by both firms is the same, therefore, the firm B will produce OM level of output instead of ON. Since the marginal cost of firm B is greater than the marginal cost of firm A, therefore, the profit earned by firm B will be lesser than the profit earned by firm A. Difficulties of Price Leadership: The following are the challenges faced by a price leader: Such price cutting devices are rebates, favourable credit terms, money back guarantees, after delivery free services, easy instalment sales, etc. Such non-price competition devices are heavy advertisement and sales

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promotion. The monopolist, by keeping the output a little scarce, raises its price above marginal cost. The same is true for oligopoly and monopolistic competition. Monopolists cause economic waste by restricting output. Economists measure the economic harm from insufficiency in terms of the deadweight loss; this term signifies the loss in real income that arises because of monopoly, tariffs and quotas, taxes, or other distortions. The efficiency loss is the vertical distance between the demand curve and the MC curve. Economists have studied impact of the overall costs of imperfect competition to an economy. These studies estimate the deadweight loss of consumer surplus in ABE for all industries.

## Chapter 3 : Non-cooperative game theory - Wikipedia

*The Symposium was conceived as a vehicle for the joint publication of a Noncooperative Approaches to the Theory of Perfect Competition 1 Reprinted from Journal of Economic Theory 22, No. 2, (April ) ISBN 2 ANDREU MAS-COLELL number of papers already extant.*

## Chapter 4 : Price Determination under Oligopoly - MA Economics Karachi University

*In the competition between economic models, the theory of perfect competition holds a dominant market share: no set of ideas is so widely and successfully used by economists as is the logic of.*

## Chapter 5 : Coopetition - Wikipedia

*JOURNAL OF ECONOMIC THEORY 22, () Noncooperative Approaches to the Theory of Perfect Competition: Presentation ANDREU MAS-COLELL University of California, Berkeley, California*