Monopolist’s phase diagram

• Monopolist:

Dilemma: sell at high price to a small number of customers or at low price to a large number of customers?

Maximisation of the profit

\[ P = \text{price of one unit of the good} \]
\[ C = \text{cost per unit} \]

Choose the price \( P \) which maximises

\[ \Pi = ( P - C ) \eta(P) N \]
Monopolist’s dilemma

This figure: logistic distribution for the IWP
But = generic phase diagram for any smooth monomodal distribution
Monopolist's phase diagram

Price ($\eta^-$)

Price ($\eta^+$)

Profit (-)

Profit (+)

transition

$\eta^-$

$\eta^+$

$j = \beta J$

JP Nadal 2C
curse of coordination: the optimal seller’s strategy corresponds to a price for which the demand is not unique; the optimal profit will not be obtained if the population do not coordinate.