

Contents

<i>Preface</i>	<i>Page ix</i>
1 Introduction	1
1.1 The aims of the book	1
1.2 Methodology and overview	2
1.3 The formalisation of product differentiation	4
1.4 The incentive to differentiate	6
1.5 Some basic propositions	8
1.6 Product differentiation and welfare	9
2 Spatial models of imperfect competition	11
2.1 Introduction	11
2.2 Price competition in a model of spatial duopoly	13
2.3 Transportation costs and the existence problem	17
2.4 The choice of location (or product selection) in spatial models	22
2.5 Long-run equilibrium with costless relocation	34
3 Symmetric preferences, the Chamberlinian paradigm	42
3.1 Introduction	42
3.2 The oligopoly equilibrium	47
3.3 Monopolistic competition	52
4 Product diversity and product selection: market equilibria and social optima	56
4.1 Introduction and some preliminary results	56
4.2 A digression into the case of homogeneous products	59
4.3 Product diversity: first- and second-best optima and the market equilibrium	60
4.4 Biases in product selection	67
5 Product quality and market structure	73
5.1 Introduction	73

5.2	Quality choice: welfare optimum and market equilibria	75
5.3	Durability: quality and quantity as pure substitutes	83
5.4	Durability: stock and flow equilibrium	86
5.5	Quality choice under oligopoly: symmetric equilibrium	94
5.6	Product reliability	105
6	Vertical product differentiation	109
6.1	Introduction	109
6.2	The finiteness property and natural oligopolies	114
6.3	The finiteness property again	123
6.4	Quality selection	126
6.5	Conclusion: product differentiation and market structure	132
7	Product differentiation and market imperfection: limit theorems	135
7.1	Introduction	135
7.2	Horizontal product differentiation: limiting market equilibria	138
7.3	Vertical product differentiation and industrial structure	155
8	Product differentiation and the entry process	160
8.1	Introduction	160
8.2	The existence of pure profit in free-entry equilibrium	160
8.3	Brand proliferation and entry deterrence	165
8.4	Exit costs	169
8.5	Product specification as an alternative entry-deterrence strategy	170
8.6	Market preemption in expanding markets	171
9	The gains from trade under product differentiation	173
9.1	Introduction	173
9.2	The gains from trade under horizontal product differentiation	174
9.3	The gains from trade in vertically differentiated products	177
9.4	Conclusion	182
	<i>Notes</i>	184
	<i>Bibliography</i>	194
	<i>Indexes</i>	200