



# Contents

## **Chapter 1: Introduction 1**

1.1 The Problem; 1.2 Variety in Tastes; 1.3 The Technology of Production; 1.4 The Scope of the Study.

## **Chapter 2: A Framework for Analysis 16**

2.1 Introduction; 2.2 The Characteristics Approach; 2.3 Goods as a Transfer Mechanism; 2.4 The Consumption Technology; 2.5 The Group; 2.6 Product Differentiation; 2.7 Differentiation Possibilities; 2.8 Measurement and Comparability; 2.9 Optimal Transfer for an Individual; 2.10 Availability and Compensation; 2.11 The Compensating Function; 2.12 The Preference Spectrum; 2.13 Uniformity; 2.14 Measurability of the Spectrum Properties; 2.15 Properties of the Uniform Compensating Function; 2.16 Production and Economies of Scale; 2.17 A Note on Combinable Goods; 2.18 Comparison with Spatial Models.

## **Chapter 3: Optimum Differentiation I: The Paradigm Case 63**

3.1 Introduction; 3.2 The Optimum Problem; 3.3 Optimal Specification; 3.4 Relative Segment Size; 3.5 Optimal Product Differentiation; 3.6 A Historical Error; 3.7 Influences on Product Differentiation; 3.8 Nonuniform Welfare Density; 3.9 The Feasibility of Compensation; 3.10 Second-Best Formulations; 3.11 A Second-Best Solution; 3.12 Indivisible Goods; 3.13 Combinable Goods; 3.14 A Taste for Variety; 3.15 Analysis in Many Dimensions.

**Chapter 4: Optimum Differentiation II:  
The Effect of Outside Goods 102**

4.1 Introduction; 4.2 Outside Compensation; 4.3 Uniformity with Outside Goods; 4.4 The Optimal Compensation Mix; 4.5 The Optimum with Outside Goods; 4.6 The Substitution Effects; 4.7 Existence of a Product-Differentiated Optimum; 4.8 The Effect of Substitution on Differentiation; 4.9 Second- and Third-Best Solutions; 4.10 Indivisible Goods.

**Chapter 5: Market Demand 140**

5.1 Introduction; 5.2 The Structure of Demand; 5.3 Market Width; 5.4 Changes in Market Width; 5.5 The Market-Width Elasticity; 5.6 Market Demand in the Paradigm Case; 5.7 The Choice Between Inside and Outside Goods; 5.8 Compensated Demand with Outside Goods; 5.9 Uncompensated Demand; 5.10 Properties of the Demand Elasticity; 5.11 Effect of the Structural Parameters; 5.12 Intergood Spacing; 5.13 The Effect of Price on Elasticity; 5.14 Demand for Indivisible Goods.

**Chapter 6: Perfect Monopolistic Competition 179**

6.1 Introduction; 6.2 Nash Equilibrium; 6.3 Entry-Exit Equilibrium; 6.4 The End-Firm Problem; 6.5 The Second-Order Conditions; 6.6 Uniqueness of Product; 6.7 Product Differentiation in the Market; 6.8 The Size of the Market; 6.9 The Viability of Monopolistic Competition; 6.10 A Note on the Spatial Model; 6.11 The "Excess Capacity" Debate; 6.12 Indivisibility, Quality, and Stratification.

**Chapter 7: The Market and the Optimum 224**

7.1 Introduction; 7.2 The Paradigm Case; 7.3 Outside Substitution; 7.4 The Market as a Second Best; 7.5 Price Distortion; 7.6 Contexts for Policy-making; 7.7 Optimal Intervention; 7.8 The Case for Laissez-faire.

**Chapter 8: Imperfect Monopolistic Competition 255**

8.1 Introduction; 8.2 Imperfect Information; 8.3 Advertising and Information; 8.4 Costs of Entry and of Specification Change; 8.5 Pseudodifferentiation; 8.6 In the Long Run

<b>Chapter 9: Multiproduct Firms</b>	<b>282</b>
9.1 Introduction; 9.2 Full Group Monopoly; 9.3 Product Variety under Monopoly; 9.4 Island Monopoly; 9.5 Multiproduct Non-monopoly Firms.	
<b>Chapter 10: Further Explorations</b>	<b>314</b>
10.1 Introduction; 10.2 Welfare, Variety, and GNP; 10.3 Intra-industry Trade between Identical Economies; 10.4 Variety in Capital Goods; 10.5 The Optimal Division of Labor; 10.6 Variety and Economic Development; 10.7 The Politics of Variety.	
<b>Appendix A: The Compensating Function</b>	<b>335</b>
<b>Appendix B: Some Special Properties of Elasticities</b>	<b>350</b>
<b>References</b>	<b>363</b>
<b>Index</b>	<b>369</b>