Economic Dances for Two (and Three)

Propositions

1. If there is a costless return policy, then the lowest price likely signals the best deal (chapter 1).

2. The presence of fully uninformed consumers redistributes welfare towards firms, but does not in itself jeopardize efficiency. It is the partially informed consumers whose presence creates inefficient markets (chapter 1).

3. An ability to target competitors stabilizes competition (chapter 2).

4. The organizational choices of competing firms depend upon each other through market interactions (chapter 3).

5. Research that may lead to a major but unlikely innovation will be conducted by each competitor in private. Research that may lead to a small but likely innovation will be conducted jointly by all competitors (chapter 4).

6. The phenomenon of competition is only second best, because competition encourages both Pareto-improvements and rent-seeking.

7. One shall not strive to decrease all transaction costs. If there are no transaction costs, there are no mechanisms for commitment.

8. Solving a game-theoretical model with continuous time and no end can be easier than solving an analogous model with three periods. However, this counterintuitive observation would not be true if studying theoretical questions using numerical techniques was more broadly accepted.

9. To play well one needs clever opponents, unless of course it is a zero sum two person game.

10. A richer person has more wealth to invest. In deciding where to invest, he effectively chooses in what direction the economy will develop. Thus, wealth is a right to choose the path for an economy.

11. There is little applied game theory in doing a PhD unless one does a PhD in applied game theory.

Andrey Andreyevich Dubovik

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