



National Bank of Serbia



UNIVERSITY OF BELGRADE  
Faculty of Economics

**NATIONAL BANK OF SERBIA AND  
FACULTY OF ECONOMICS IN BELGRADE**

are pleased to invite you to

**THE BELGRADE RESEARCH SEMINAR ON ECONOMICS AND FINANCE**

Speaker:

*Francesco Nava*

on the following topic

**“DIFFERENTIATED DURABLE GOODS:  
MONOPOLY & COMPETITION”**

*Date and time: Friday, December 13, 2019 at 1pm.*

*Venue: Professors' hall, Faculty of economics, Kamenička 6, 1st floor.*

**Abstract:** The talk focuses on durable goods markets in which multiple varieties of a product can be produced and sold. The monopoly contributions present a robust Coase conjecture establishing that the market eventually clears, with profits exceeding static optimal market-clearing profits and converging to this lower bound in all stationary equilibria with instantaneous price revisions. Pricing need not be efficient, nor is it minimal (equal to the maximum of marginal cost and minimal value) and can lead to cross-subsidization. Conclusions nest both classical Coasian insights and modern Coasian failures. The option to scrap products does not affect results qualitatively but delivers a novel motive for selling high cost products. Competition results instead establish why market-entry and competition can increase the profit of an incumbent when the products sold by the entrant are differentiated. The results are developed for Markovian equilibria and do not rely on collusive strategies as in the seminal paper by Gul 1987. Instead, the result shows that the presence of a competitor may diminish the undercutting motive of the incumbent when product are suitably differentiated. We the apply these insights to Hotelling spatial competition model and show why durability may reduce product differentiation and increase efficiency.

**Short biography:** Francesco Nava, Tenured Assistant Professor in Economics at London School of Economics, teaches Microeconomics, Economic Theory and its Applications and Mathematics and Statistics. He is STICERD Theory Group Programme Co-Director. Prof. Nava completed Ph.D. at the University of Chicago, and his research interests include Economic theory (Networks, Bargaining, Repeated Games) and Industrial organization theory (Decentralized Pricing, Dynamic Pricing). He is a referee in many prestigious journals such as: *Econometrica*, *American Economic Review*, *Journal of Political Economy*, *Review of Economic Studies*, *Quarterly Journal of Economics*, *Journal of Economic Theory* and others.