

ECONOMIC THEORIES OF PRODUCT DIFFERENTIATION

Jean J. Gabszewicz

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Economic Theories of Product Differentiation

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Overview

Authors: [Jean J. Gabszewicz](#)

- Offers a structured analysis of how firms compete on price, quality, and product characteristics
- Explores product differentiation through the lens of industrial organization, spatial economics, and game theory
- Discusses both horizontal and vertical product differentiation, analyzing how firms compete beyond just price

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About this book

This book provides a comprehensive exploration of product differentiation, blending insights from industrial organization, spatial economics, and game theory. In modern economies, nearly every product—from consumer electronics to household goods—comes in multiple variants, reflecting firms' strategic efforts to differentiate their offerings. But why do firms differentiate their products? How do they set prices for these variants? And does this process lead to an efficient market outcome?

It examines both *horizontal* and *vertical* differentiation, investigating how firms compete not only on price but also on product characteristics such as location, quality, and perceived value. Special attention is given to the role of network effects, industry structure, and monopolistic competition, shedding light on how differentiation influences market dynamics.

Key topics include:

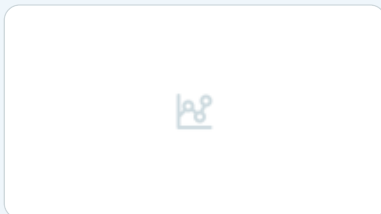
- The historical evolution of product differentiation theories and recent advances in the field.
- The spatial metaphor of a differentiated industry and the structure of demand.
- Horizontal differentiation models, including Hotelling's framework and political science analogies.
- Vertical differentiation and the role of quality, production costs, and

regulatory standards.

- The impact of network effects on pricing, market equilibria, and two-sided markets.
- Monopolistic competition and its implications for excess capacity and market efficiency.

With rigorous theoretical models and real-world applications, this book is essential reading for economists, researchers, and students seeking to understand the fundamental mechanisms shaping modern industrial competition.

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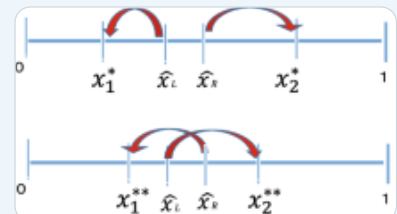
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About the author

Jean J. Gabszewicz is Professor Emeritus specializing in microeconomics, with a focus on mathematical economics, imperfect competition, and industrial economics. He has authored numerous scholarly articles published in leading scientific journals, contributing significantly to the field.

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