The Third International Congress of Cybernetics and Systems (II)

FEEDBACK MODELS OF PRICE POLICIES IN MONOPOLISTIC COMPETITION

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In this paper we will develop a class of microeconomic price models of monopolistic competition, using methods and tools of feedback systems. Firstly, we will formulate a dynamic model of price policy in terms of feedback theory. The basis for this model was first presented by Billstroem and Thore (but not as a feedback system). Secondly, the optimal adaptation (or policy) which should guarantee convergence to the optimal price (i.e. static Cournot price) will be simulated. Thirdly, the Billstroem-Thore assertions

and assumptions fit reality rather poorly. We shall omit some of their assumptions and simulate optimal price policies for all submodells step by step. The simulation language, which is suited for dynamic simulation of our problem and which will be used, is CSMP/360. More powerful policies than those arising from the Billstroem and Thore model, will be presented.