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Research Announcement

Partial Privatization in Mixed Duopoly: Comparing Cournot and Stackelberg Models.

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Abstract

This paper investigates the optimal partial privatization of a Stackelberg leader in a mixed oligopoly. It builds from Matsumura's duopoly Cournot model (1998) by comparing Cournot and Stackelberg models. In Cournot, partial ownership is optimal in a duopoly. In Stackelberg, partial privatization can be optimal but only when the government weighs consumer surplus more than profit in the welfare function. Indeed, for large weights on consumer surplus the optimal extent of privatization in Stackelberg actually exceeds that in Cournot.

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