

Monopolistic Competition, Ownership of the Firm and Shareholder Incentives

Tamura, Masaoki*

Institute of Innovation Research, Hitotsubashi University

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Abstract

This paper studies the economic role of shareholder incentives. Shareholder incentives attract the customers to purchase the shares, which leads to the firm being owned by its customers. Then, one the basic assumptions of the monopolistic competition model, consumers take as given the dividends distributed to them, is no longer valid. To increase dividends, the consumers want to “support” their firm, which contributes to the profit maximisation of the firm.

*E-mail: masaoki.tamura@iir.hit-u.ac.jp