This will be a continuation of the topic of market clearing pricing strategy used by Uber, along with its other dimensions such as the sharing economy.

In the previous discussion, we considered a situation where Uber can charge a price greater than a traditional cab price for the same trip. In this case, let us consider when Uber charges a market price lower, relative to the Dallas based Cowboy Cab.

1) Assume Mr. Smith is a Dallas local and loves to support local producers. Thus, he gains a higher marginal utility (benefit) when he consumes Cowboy cab compared to Uber. However, consider:

*MU* *CowboyCab* *P* *CowboyCab*  <*MU* *Uber* *P* *Uber*   MUCowboyCabPCowboyCab<MUUberPUber

i. Will Mr. Smith choose Uber or Cowboy Cab?
ii. What will happen to the marginal utility for that good once it has been consumed. Will it increase or decrease?

2) With the introduction of Uber and Lift into the transportation industry previously run by taxi cabs, consider what has happened to the industry in terms of competition

i) Has it become more competitive or more monopolistic?
ii) Based off your answer, would you expect the long run economic profits of these firms to decrease?

(1) Why or why not?