Price Discrimination, Competition and Antitrust

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Topics

• What is the relationship between fairness and individualized prices?
• Can we expect competition to be more intense when firms compete with discriminatory price schemes rather than uniform prices?
• Does collusion pose a more severe threat to competition when firms compete with individualized price schemes rather than uniform prices?
\[ \pi_i^D = \frac{t}{4} (i = A, B) \]

**Figure 1:** Equilibrium Prices with Perfect Price Discrimination
Figure 2: Equilibrium Prices with Uniform Pricing

\[ \pi_i^U = \frac{t}{2} (i = A, B) \]
**Figure 3:** Equilibrium Prices with Behaviour-Based Pricing in period 2
Concluding Comments

• Fairness considerations typically do not support a policy of banning price discrimination.

• Price discrimination leads to more intense competition in oligopolistic industries than uniform price schemes.

• Strong complementarity between price discrimination and the effectiveness of antitrust enforcement.