

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?

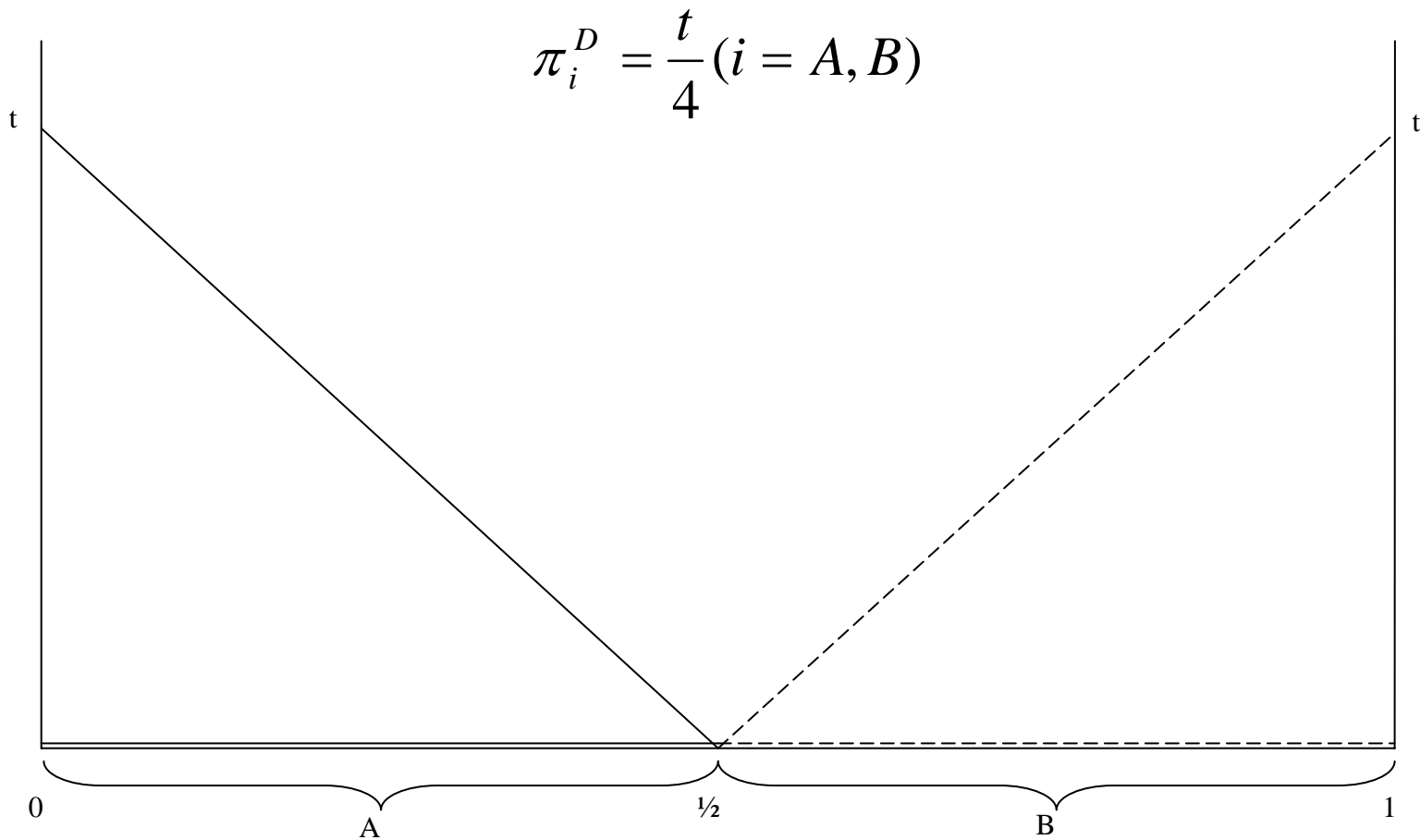


Figure 1: Equilibrium Prices with Perfect Price Discrimination

$$\pi_i^U = \frac{t}{2} (i = A, B)$$

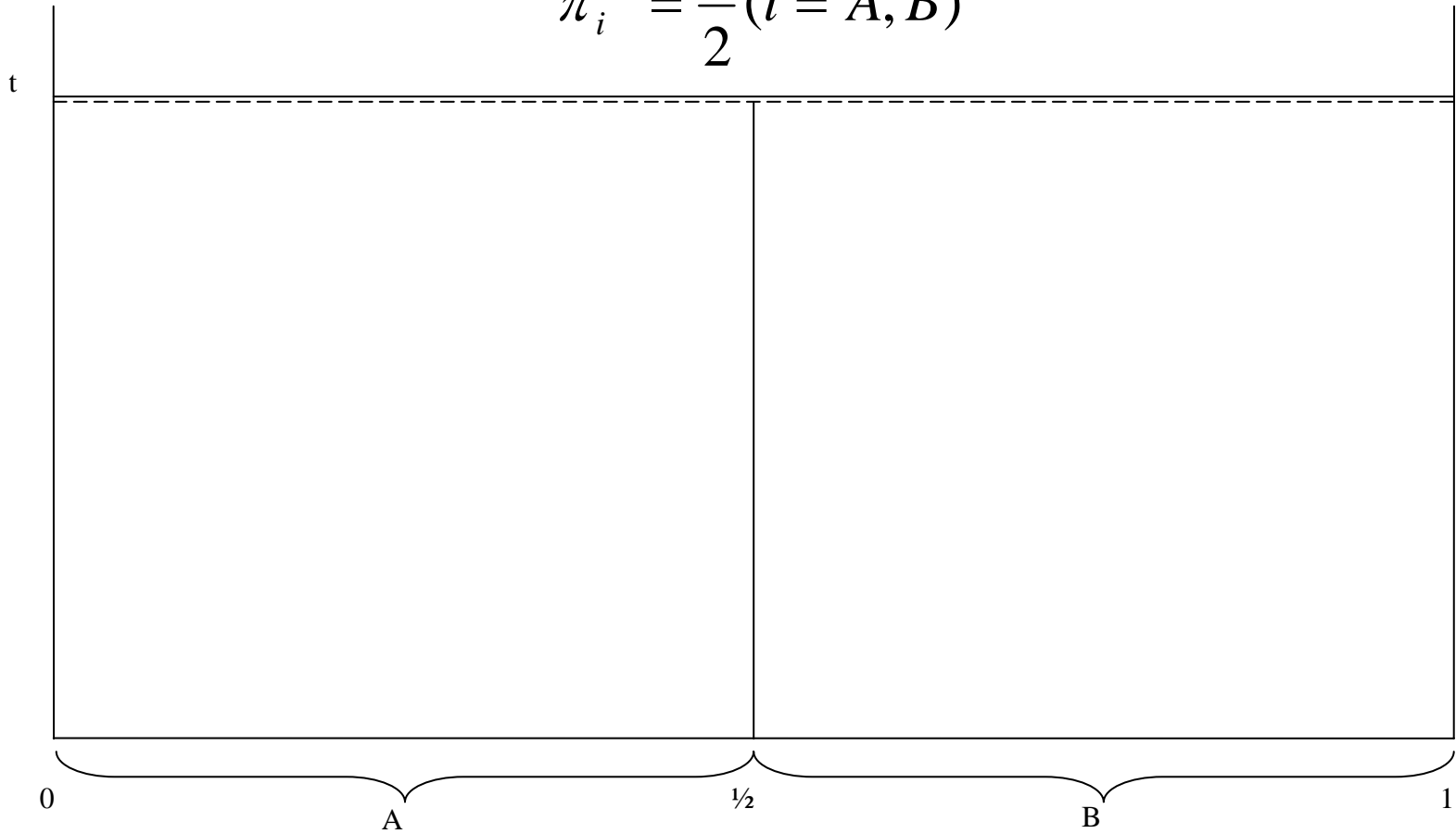


Figure 2: Equilibrium Prices with Uniform Pricing

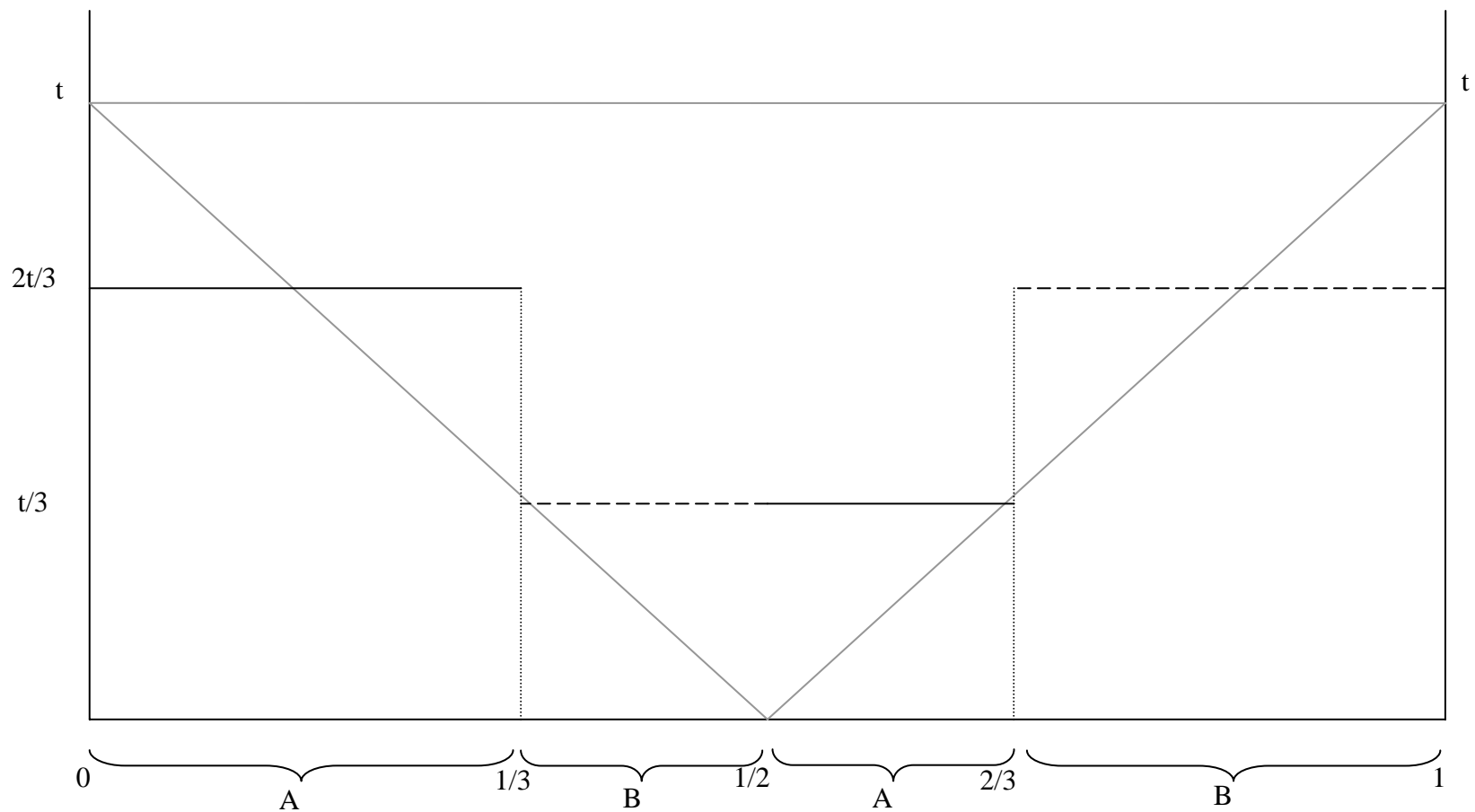


Figure 3: Equilibrium Prices with Behaviour-Based Pricing in period 2

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.