



# Price Discrimination

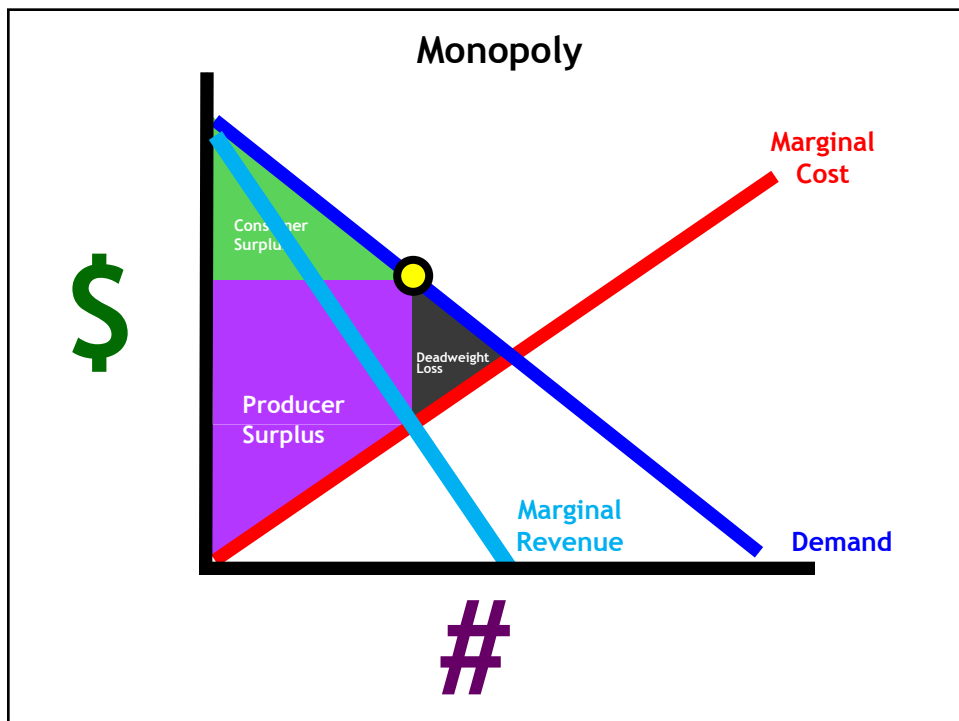
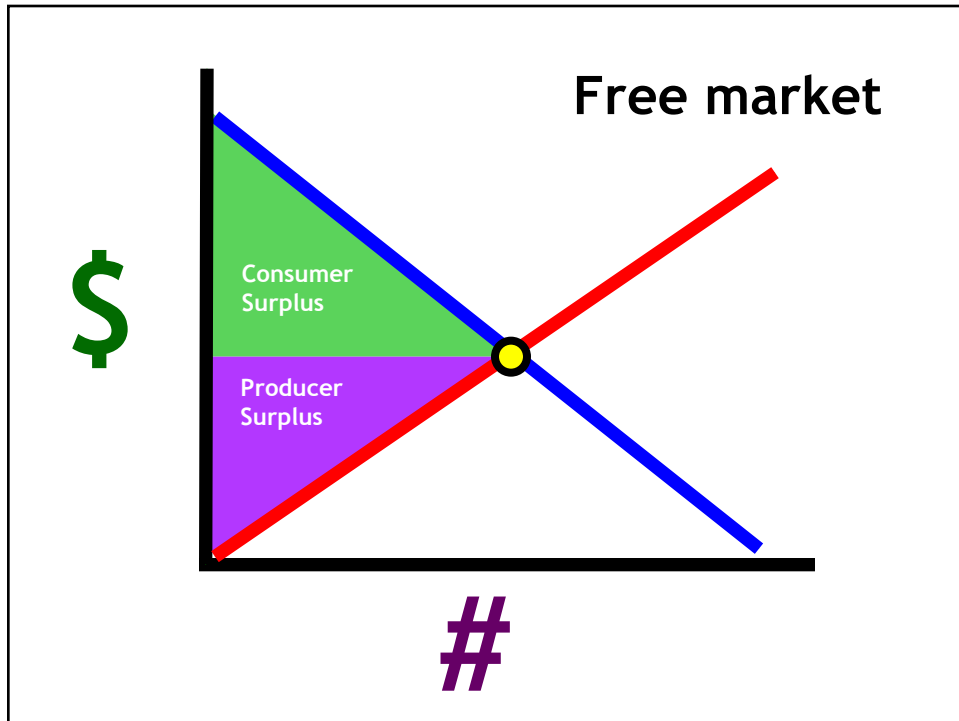
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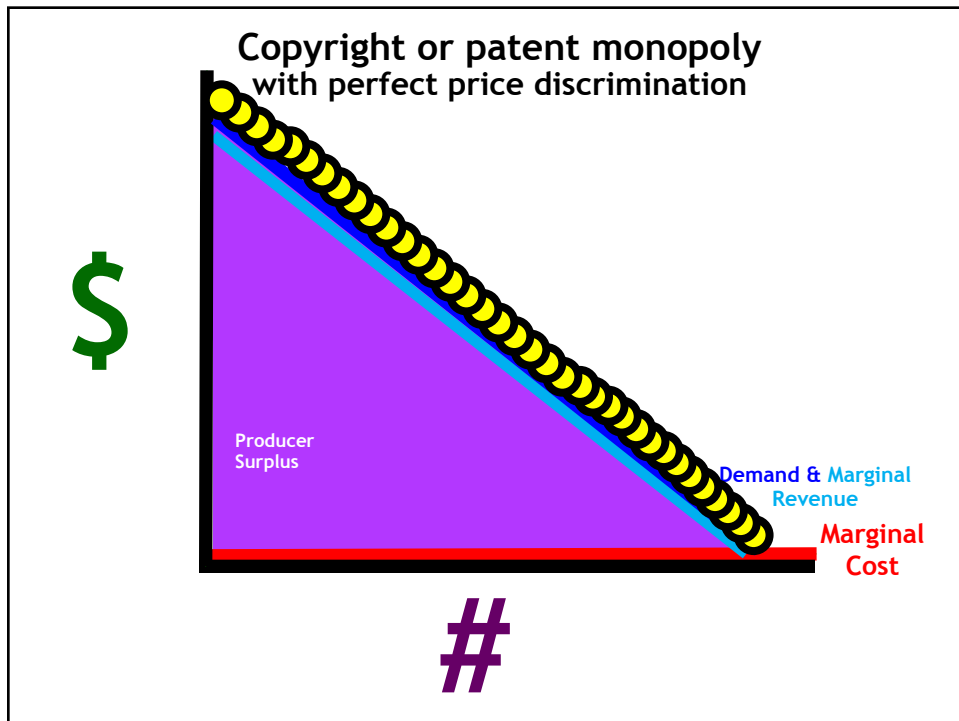
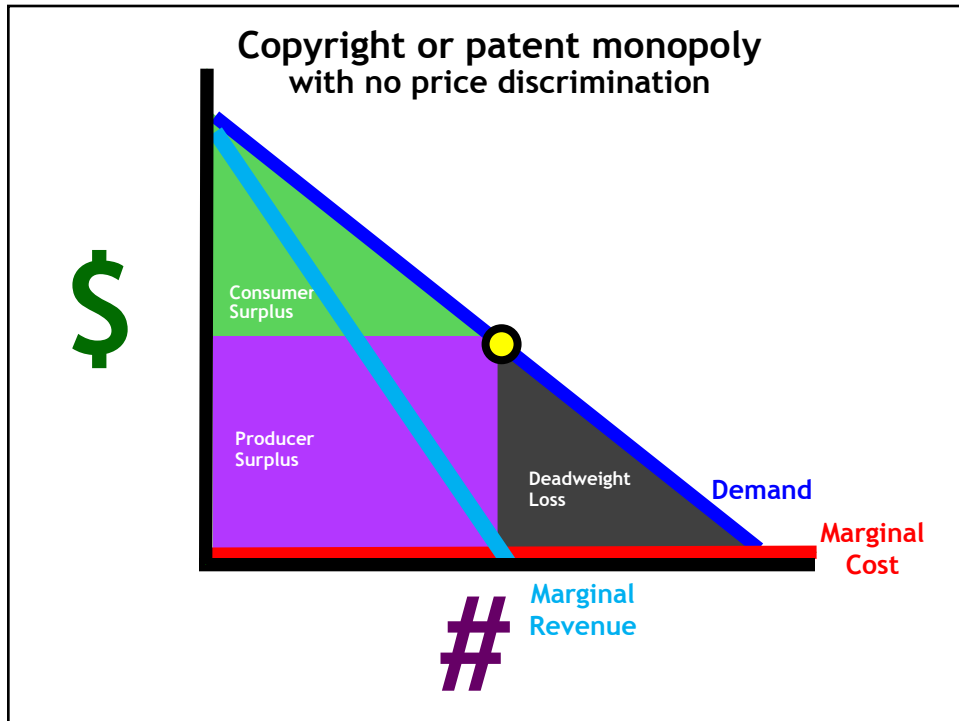


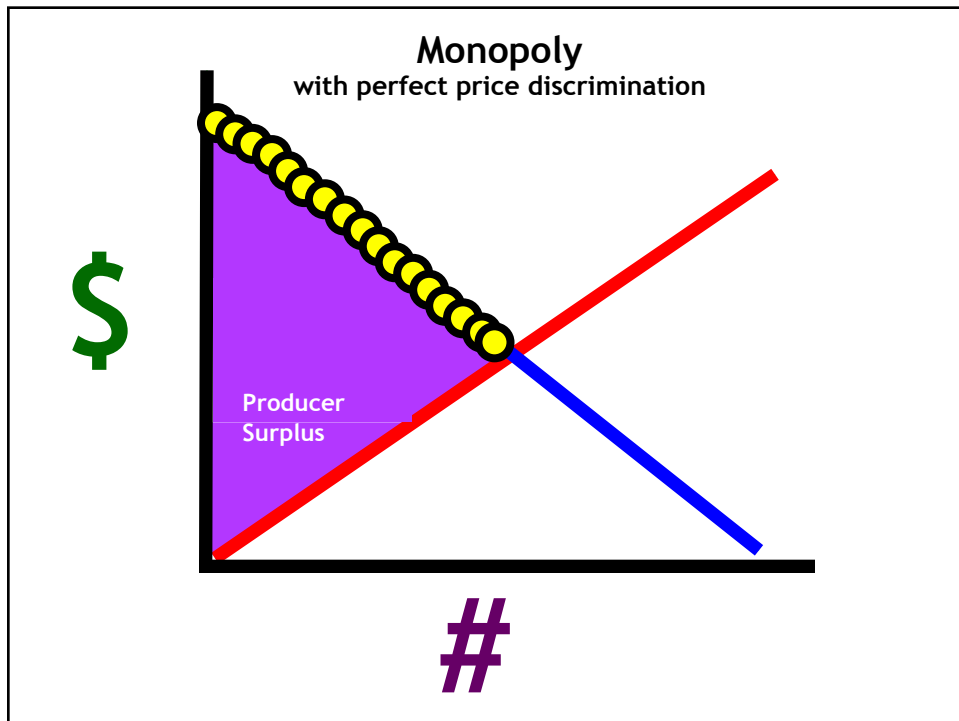
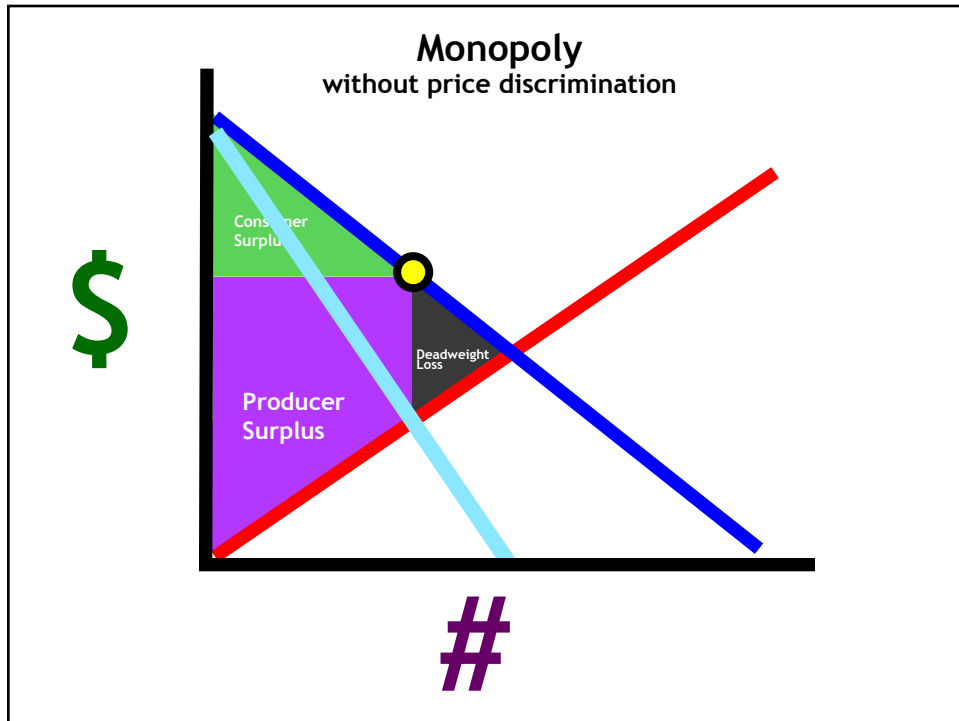
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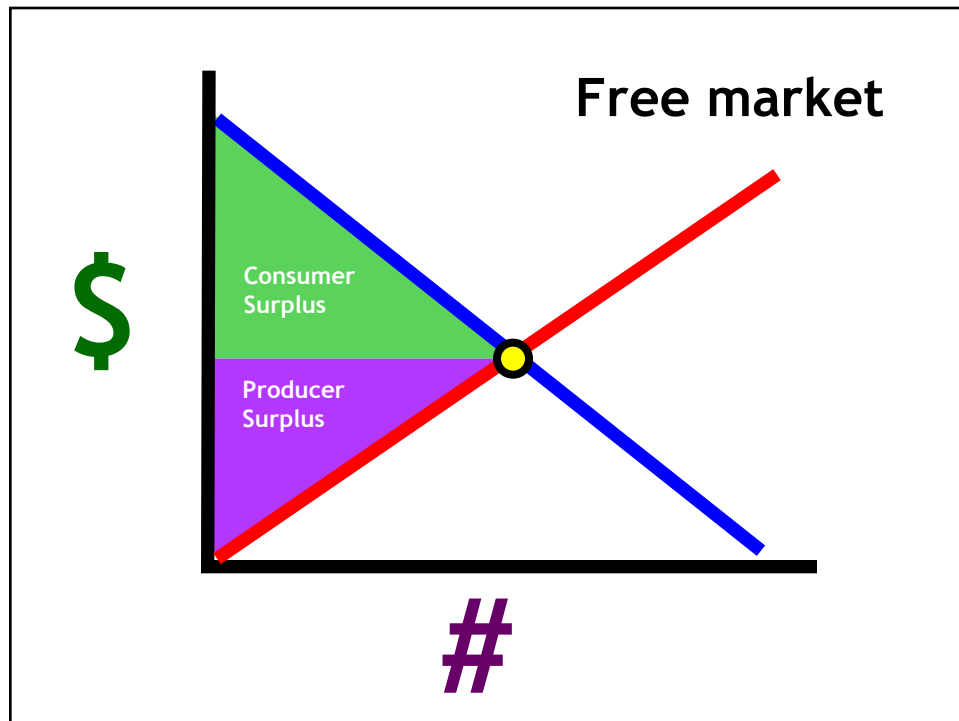
## Price Discrimination

- Is charging different prices to different consumers.
- Ideally, for producers, the different prices are based on consumers' differential willingness to pay.









## Price Discrimination Economic Theory

### Possible benefits include:

- Increased output
- Encouragement of the introduction of new products (through greater capture of surplus, so as to increase incentives for innovation)

### Possible negatives include:

- Transfer of surplus from consumers to producers (But note: That depends on your values. It's a negative if what you care about is consumer welfare. By itself, it's not a negative if all you care about is allocative efficiency.)
- Predatory pricing to discipline or drive out of the market some smaller-scale rival.

## Robinson-Patman Act

The Robinson-Patman Act (Clayton Act § 2(a)) prohibits price discrimination in certain circumstances for commodities of like grade and quality where the effect is to diminish competition.

*We will not learn enough about this to apply it.*

## Here's what you should know:

- What price discrimination is in terms of economic theory, including what we covered in terms of what is possibly good and bad about it.
- There is a federal law (Robinson-Patman Act) that can be sometimes used to challenge price discrimination, but only for goods, only for commodities, and only where the effect is to diminish competition.
- That there's more to know about it other than that before you can apply it.
- The Robinson-Patman Act does not apply to services, nor to non-commodity goods, nor in situations in which competition is not harmed.