600541 APPLIED BUSINESS ECONOMICS, 2021–22 TUTORIAL 1

If you wish to discuss the tutorial questions please come to my office hours.

1. (*Cabral* 10.1) First-time subscribers to the *Economist* pay a lower rate than repeat subscribers. Is this price discrimination? Of what type?

2. (*Cabral* 10.2) Many firms set a price for the export market which is lower than the price for the domestic market. How can you explain this policy?

3. (*Cabral* 10.3) Cement in Belgium is sold at a uniform delivered price throughout the country. That is, the same price is set for each customer, including transport costs, regardless of where the customer is located. The same practice is also found in the sale of plasterboard in the United Kingdom. Are these cases of price discrimination?

4. (*Cabral* 10.5) In the New York Fulton fish market, the average price paid for whiting by Asian buyers is significantly lower than the price paid by white buyers.[1] What type of price discrimination does this correspond to, if any? What additional information would you need in order to answer the question?

5. (*Cabral* 10.6) Supermarkets frequently issue coupons that entitle consumers to a discount on selected products. Is this a promotional strategy, or simply a form of price discrimination? Empirical evidence suggests that paper towels are significantly more expensive markets offering coupons than in markets without coupons. Is this consistent with your interpretation?

6. Suppose a monopolist produces at constant marginal cost and is able to discriminate between two groups of consumers. The demand curve of each group is linear. Would the monopolist discriminate (charge different prices to the two groups) if the slope of each inverse demand were the same, but vertical intercepts were different? What if vertical intercepts were the same but slopes were different?

[1] Graddy, Kathryn (1995), "Testing for imperfect competition at the Fulton Fish Market", *RAND Journal of Economics* 26, pp. 75–92