

Price Discrimination with Redistributive Concerns

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Abstract :

Dividing consumers into different market segments allows a monopolist to charge different prices at each segment. We study consumer-optimal segmentations with redistributive concerns, i.e. that privilege poorer consumers. Such segmentations are efficient but may grant additional profits to the monopolist, when compared to consumer-optimal segmentations with no redistributive concerns. We characterize the markets for which this is the case and provide a procedure for constructing optimal segmentations given a strong redistributive motive. For the remaining markets, we show that the optimal segmentation is surprisingly simple: it generates one segment with a discount price and one segment with the same price that would be charged under no segmentation.