PANTHÉON-ASSAS
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SÉMINAIRE

INFORMATION ACQUISITION AND PRICE DISCRIMINATION IN DYNAMIC, DECENTRALIZED MARKETS

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Séminaire du LEMMA

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We formalize a dynamic, decentralized market where consumers with privately-known preferences meet bilaterally with firms. The latter acquire information in order to first-degree price discriminate. Consumers' endogenous outside options make firms' information choices strategic complements and can generate multiple equilibria. In some cases, information acquisition prevents convergence to perfect competition when trading frictions vanish. We show the relationship between price discrimination and market power can be negative. For instance, cheaper information intensifies price discrimination, but it can also raise consumer welfare under free entry. At the frictionless limit, consumers can achieve their highest welfare despite some first-degree price discrimination.

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