THE JOURNAL OF INDUSTRIAL ECONOMICS 0022-1821
Volume LXII September 2014 No. 3

A NOTE ON THIRD DEGREE PRICE DISCRIMINATION IN INTERMEDIATE GOOD MARKETS*

Youping Li[†]

This note studies third degree price discrimination in intermediate good markets. I show that whether a more efficient downstream firm is charged a higher or lower price than a less efficient firm depends on the shape of the demand function. Different from the case in which final market demand is linear, the usual assumption in the literature, constant elasticity demand, for example, results in a more efficient firm's receiving a discount.

SUPPORTING INFORMATION

The complete paper can be found as supporting information together with the online version of this article.

*I wish to thank the Editor and two anonymous referees for helpful comments and suggestions. The usual disclaimer applies.
[†]Author's affiliation: School of Business, East China University of Science and Technology, 130 Meilong Road, Shanghai 200237, China.
e-mail: liyouping@ecust.edu.cn.