

# Report on “Oligopoly Price Discrimination, Competitive Pressure and Total Output” (MS#3323)

This paper studies the output effects of third-degree price discrimination in Cournot oligopoly as well as Bertrand oligopoly with linear demand. A novel part of this paper is to include firms which operate only in one of the discriminatory markets to capture differences in competitive pressure across markets. Specifically, suppose that the number of firms in market 1, which is the strong market where the discriminatory price is higher than the uniform price, is  $n_1$ , and similarly  $n_2$  is the number of firms in market 2, where the discriminatory price is lower than the uniform price (i.e., the weak market). That being said, not all firms necessarily operate in both markets, but only  $n_B \leq \min\{n_1, n_2\}$  firms do so.

Corollary 1, which assumes linear demand, is probably the most clear-cut result in the paper and confirms the previous wisdom by using the numbers of firms only without more complicated demand characteristics such as demand curvatures. This is an interesting contribution to the literature, confirming that a stronger intensity of competitive pressure in the strong market, not in the weak market, is important for an increase in total output by price discrimination. Unfortunately, with non-linear demand, Propositions 1 and 2 provide less clear-cut results on the output effects of oligopoly price discrimination. Similar results are obtained for Bertrand oligopoly with linear demand, although Proposition 3 should be supported by some more formal argument.

Lastly, the paper still contains some typos such as “keepss” in the second paragraph of page 11, “ $n_2 = n_B = n$ ” before Equation (20), and no space inserted between “Robinson (1933).” and “This paper” in the concluding section.