

Abstract of a paper to be presented at the
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Competitive Price Discrimination in a Spatially Differentiated Intermediate Goods Market

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Intermediate product markets are distinct in several ways, including the large size of transactions and the ability to price discriminate using buyer-specific prices. We study price determination in an intermediate goods market where products are differentiated by geographic locations of sellers/buyers as well as product characteristics. Using a rich dataset of transactions from the UK brick industry, we estimate a bargaining model in which prices are negotiated between the buyer and seller for each transaction. We analyze the effect of bargaining power, location, and transaction size on prices. In a counterfactual analysis, we measure the welfare impact of price discrimination based on the size of transaction and location of the buyer.