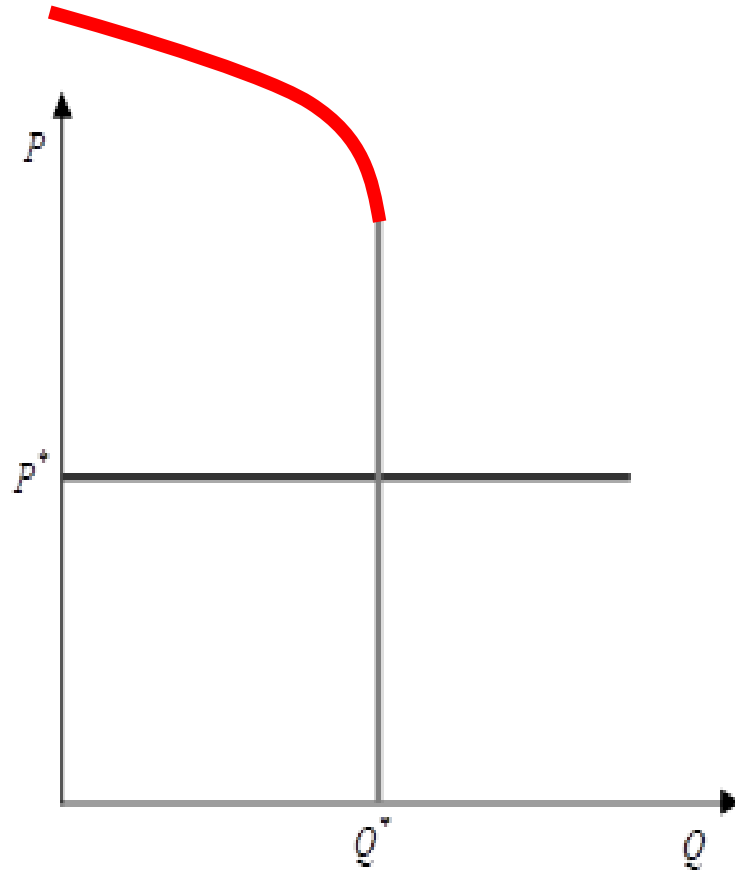


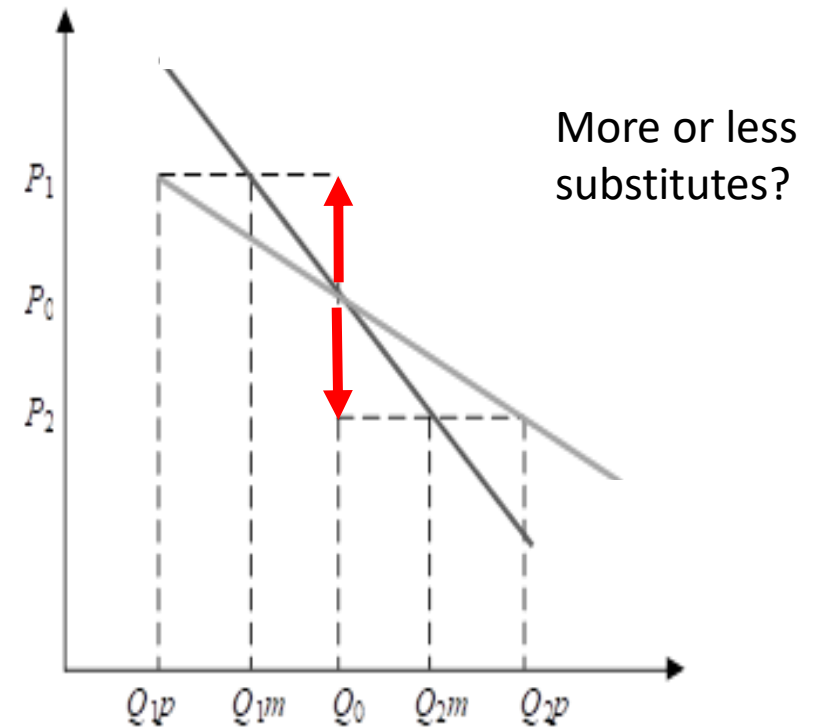


# Demand curves and elasticity again ...

1 pack of  
Barilla in Tor  
Bella  
Monaca and  
one in Torre  
Angela?

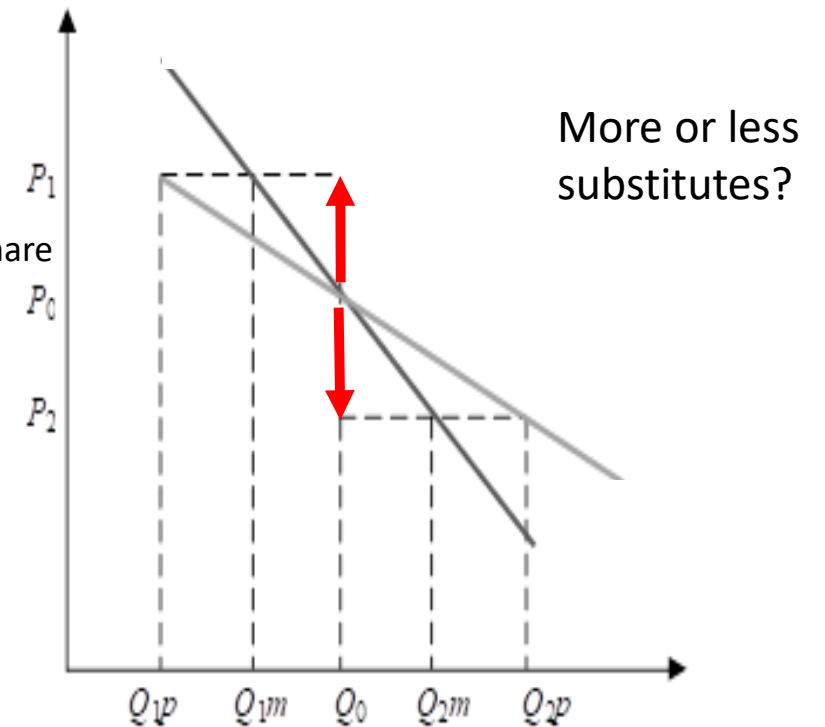
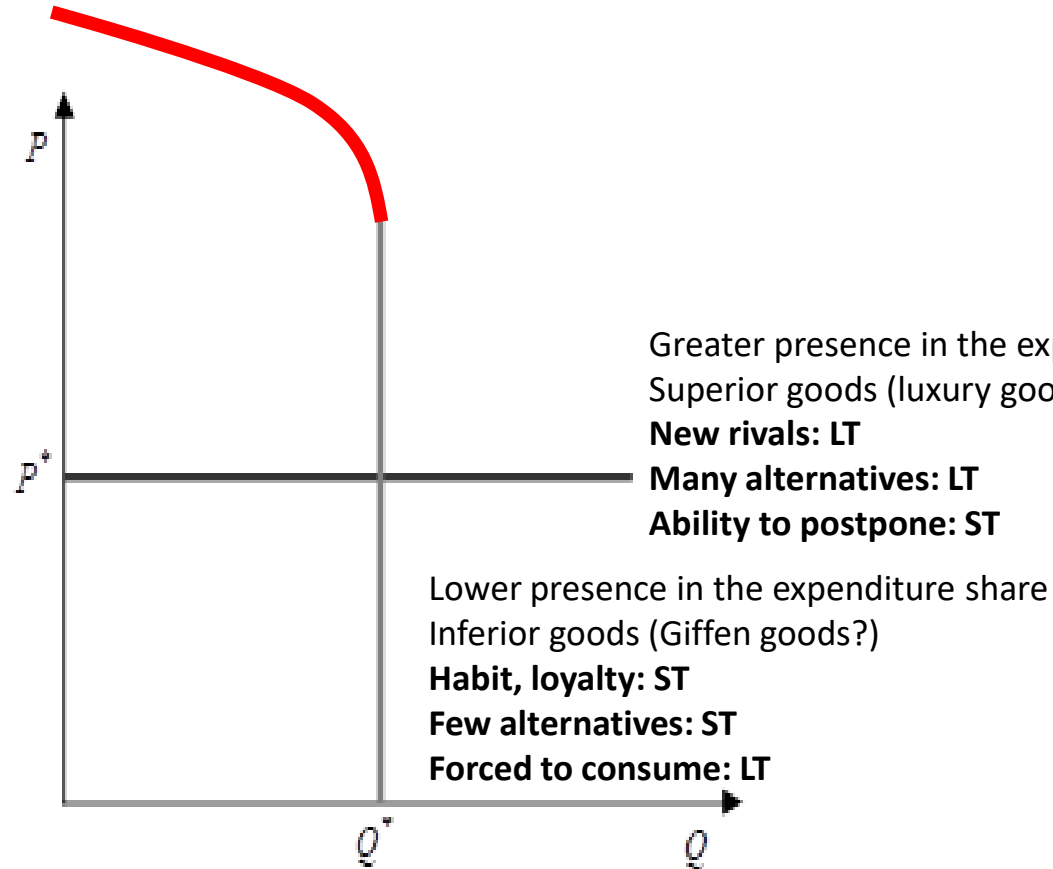


Would you give up really everything for love?



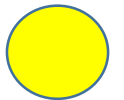
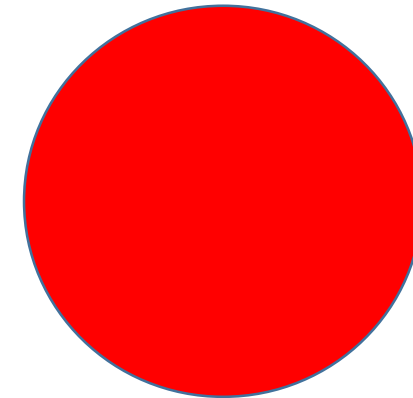
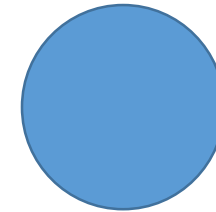
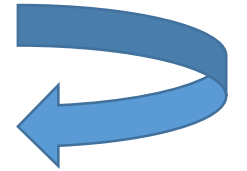


# Demand curves and elasticity again ...



>0 or <0?

Small or  
large?



Small!

Large!

$$\varepsilon = \frac{\frac{dq_j}{dp_i}}{\frac{q_j}{p_i}}$$

Antitrust:  
Market concentration  
in the  
«relevant market»



# Again on (your) MRS



[https://www.ted.com/talks/alessandro\\_acquisti\\_what\\_will\\_a\\_future\\_without\\_secrets\\_look\\_like?language=yi#t-2637](https://www.ted.com/talks/alessandro_acquisti_what_will_a_future_without_secrets_look_like?language=yi#t-2637)



The relativity illusion.

- a) only via Web, 59 \$;
- b) only print, 125 \$;
- c) print and web, 125 \$.

25% chooses a) and 75% c).



# Rationality, again



The relativity illusion.

- a) only via Web, 59 \$;
- b) only print, 125 \$;
- c) print and web, 125 \$.

25% chooses a) and 75% c).

Now suppose choice had been only:

- a) only via Web, 59 \$;
- c) print and web, 125 \$.

**% of «a» is... well above 25%**

# Rationality, again



25€

?



18€



# Rationality, again



643€

?



636 €





## Rationality, again: the initial effect

2 (similar) large groups.  
Noisy noise: 10 € vs. 90 €

- a) 10 € : 33 €;
- b) 90 € : 73 €;

MRS and  $p$ ??



# Rationality, again

The famous «0» price

Social norms and market norms:  
**mentioning** prices (see Sandel).



# Emotional Attachments



Martin Shubik, «The Dollar Auction Game: A Paradox in Non-Cooperative Behavior and Escalation»,  
*Journal of Conflict Resolution* (March 1971)





# Emotional Traps



Martin Shubik, «The Dollar Auction Game: A Paradox in Non-Cooperative Behavior and Escalation»,  
*Journal of Conflict Resolution* (March 1971)

# The surplus theory



?



# The surplus theory

C, composite good, and T

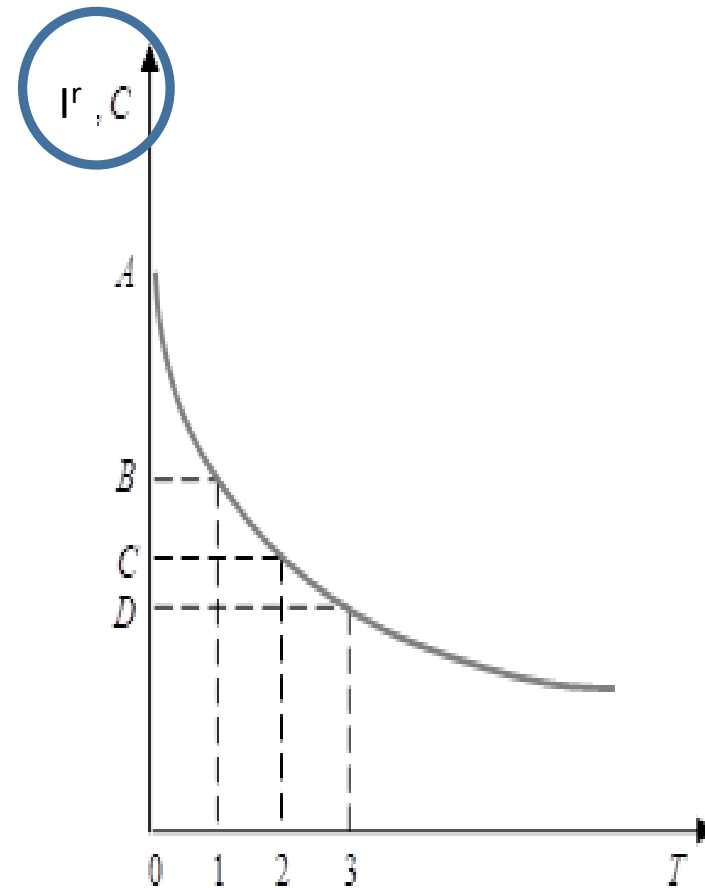
$$P_C \mathbf{C} + P_T \mathbf{T} = C + P_T T = I$$

with  $P_C = 1$ ; C: «Marshallian money»

$$C = I - P_T T \quad \text{if } T = 0, C = I$$

For a given  $T^\circ$ ,

$$\begin{aligned} I - P_T T^\circ &= C^\circ \quad (\text{max. consump. of MM}) \\ &= P_C C^\circ \quad (\text{max. spending on MM}) \\ &= I^r \quad (\text{residual income}) \end{aligned}$$

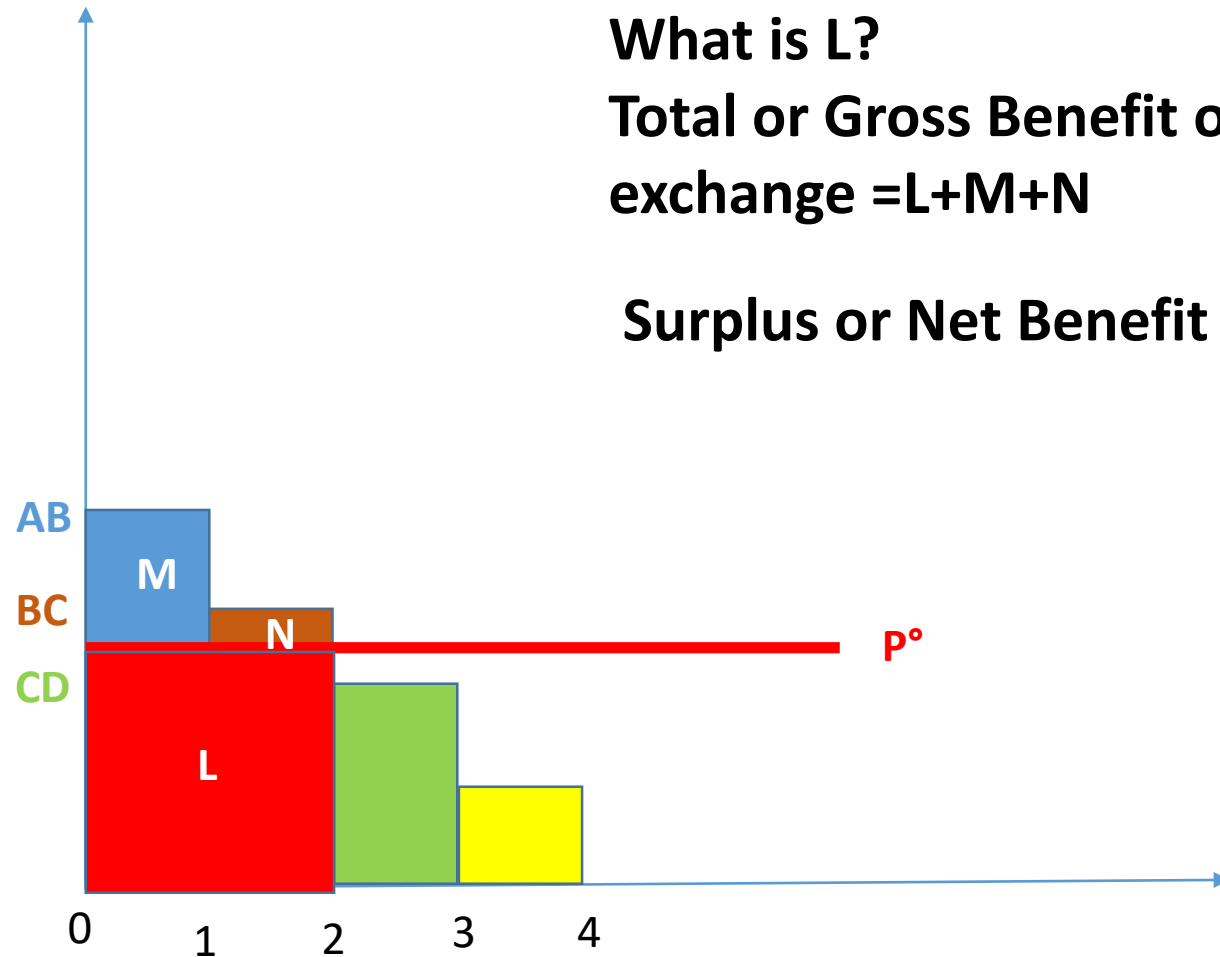




# Surplus theory

Price €

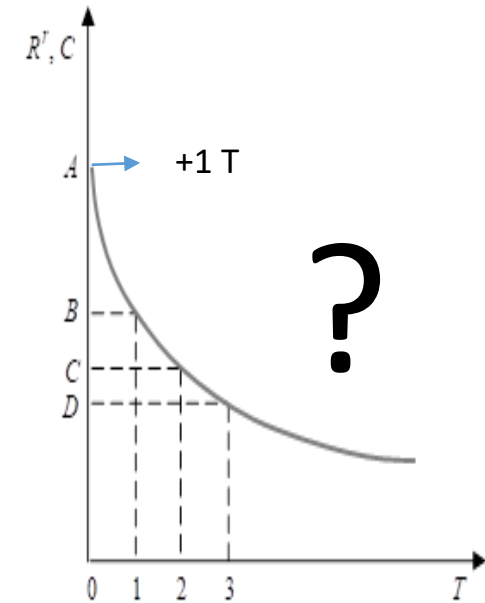
Availability  
to Pay €



What is L?

Total or Gross Benefit of the  
exchange =  $L+M+N$

Surplus or Net Benefit =  $M+N$

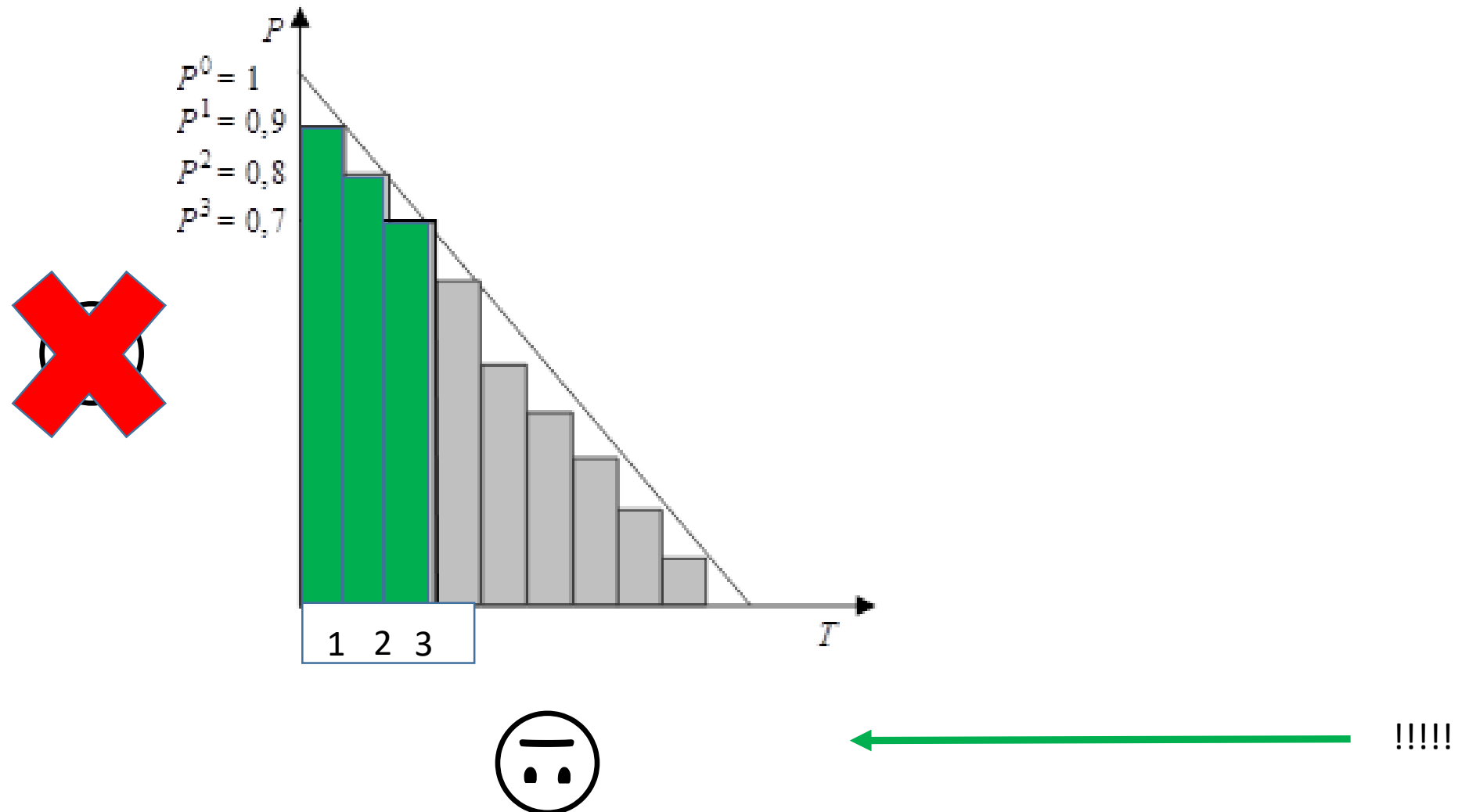


*Consumer surplus.* It represents the minimum amount of euro which the consumer would require to be willing to give up the consumption of the 2 hours of tennis lessons, without being damaged by the subtraction of this exchange opportunity. The consumer surplus therefore appears to be an objective measure of the subjective value of the exchange.



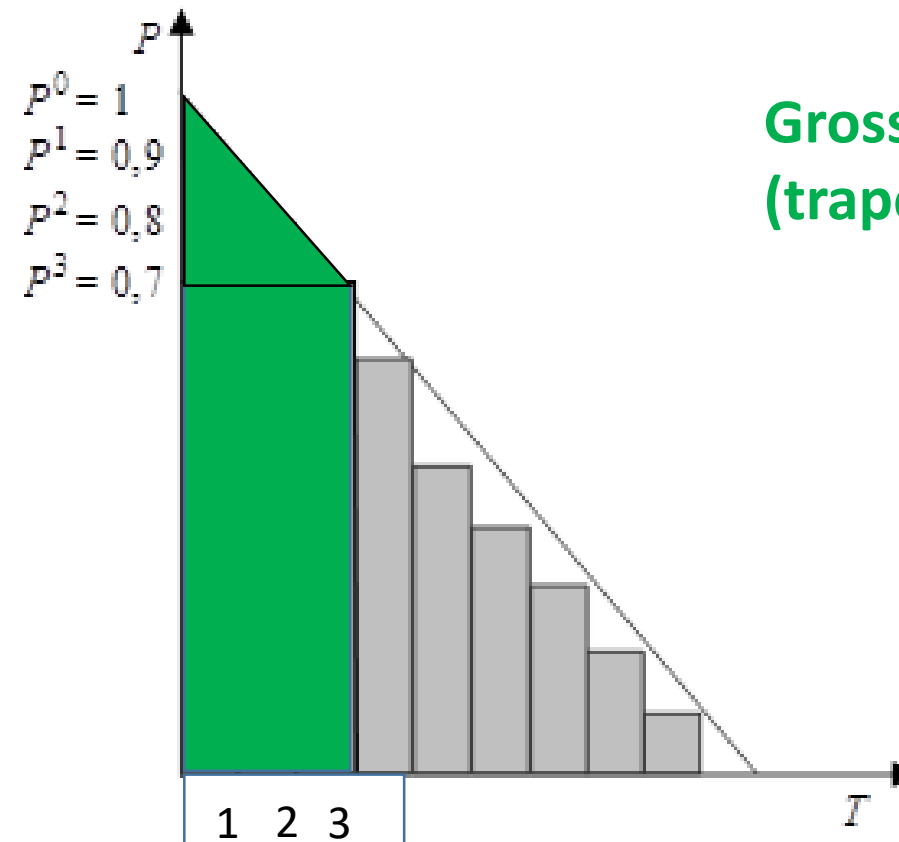


# The demand curve ... revisited

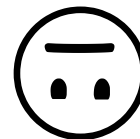




# The demand curve ... revisited

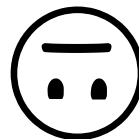
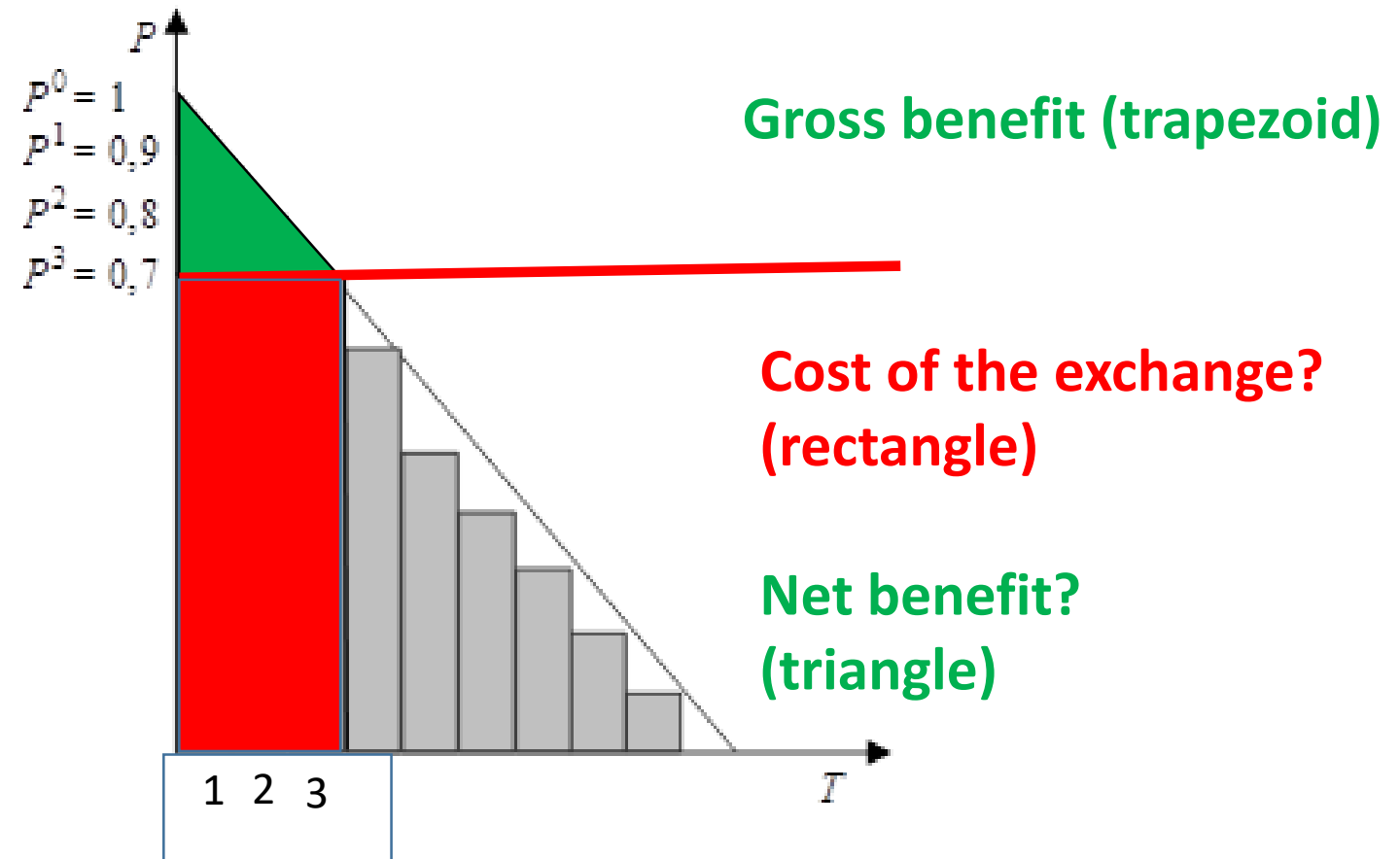


Gross benefit of the exchange:  
(trapezoid)





# The demand curve ... revisited



# The practice of surplus

Surplus?

1st unit: Min ? max ? euro

1st unit: Min 20 max 30 euro

2nd unit: Min 10 max 20

3rd unit: Min 0, Max 10

Total: Min 30 Max 60

Total spending: ?

210 euro

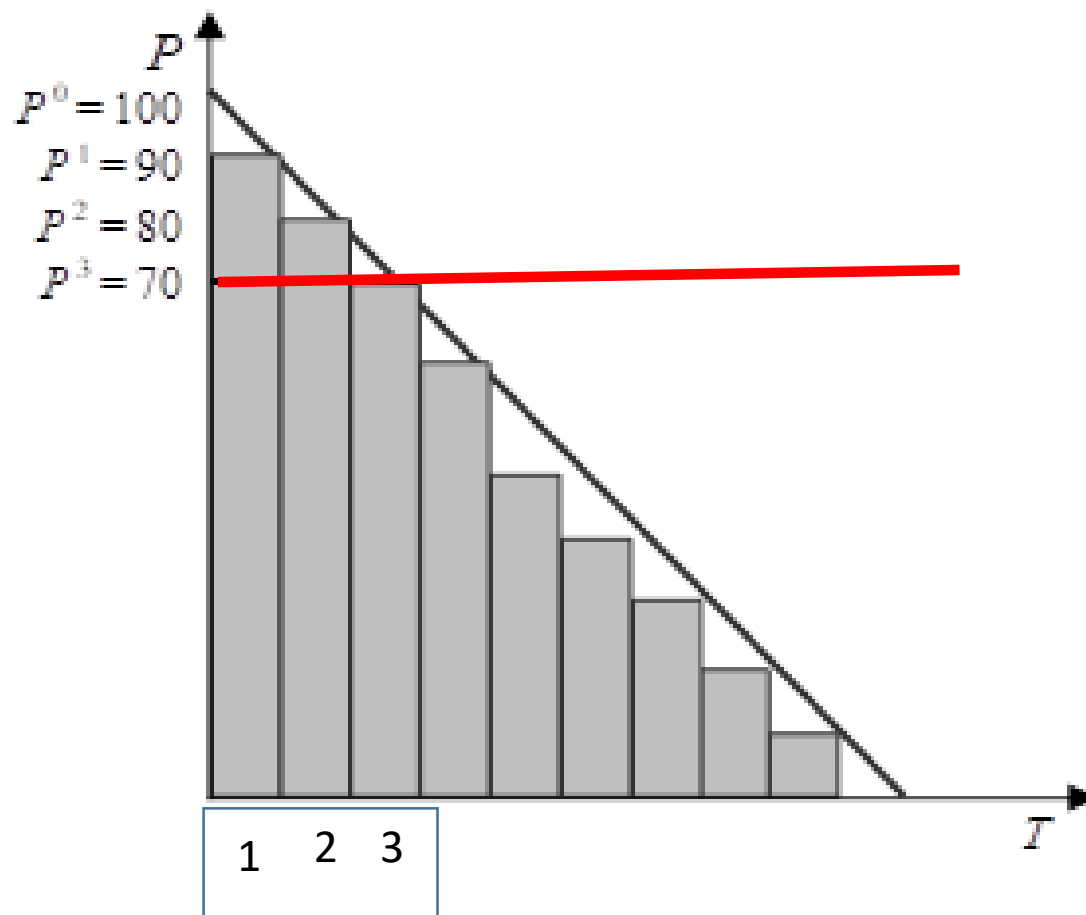
Availability to pay:

Min 240

Max 270

Net Surplus?

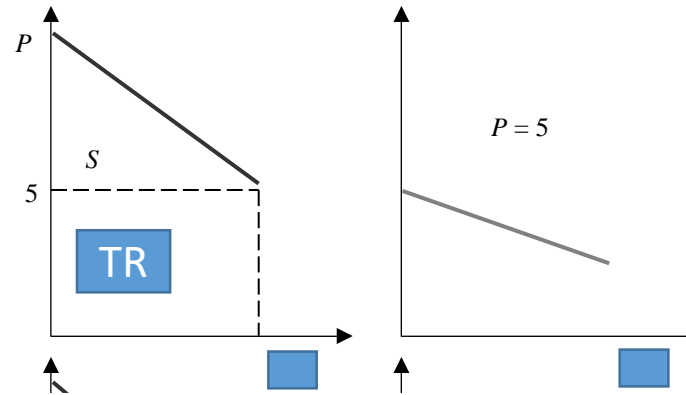
Min 30 and max 60 euro



# The surplus practice – Information goods

Mark-up pricing

$P = (1 + \text{mark-up}) \times VC$  ?



Strategy 1 – One  
only price ,  $P = 5$

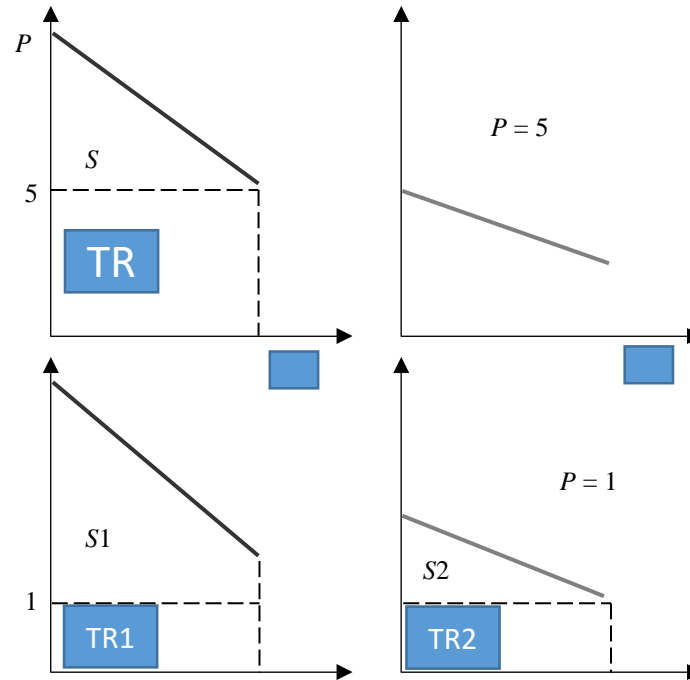
What price strategy to adopt?

The role of the different elasticities of different groups of consumers and the connected market segmentation according to the willingness to pay of consumers.

Information goods: those goods whose content can be digitalized. Like books, datasets, papers, movies, web sites



# The surplus practice



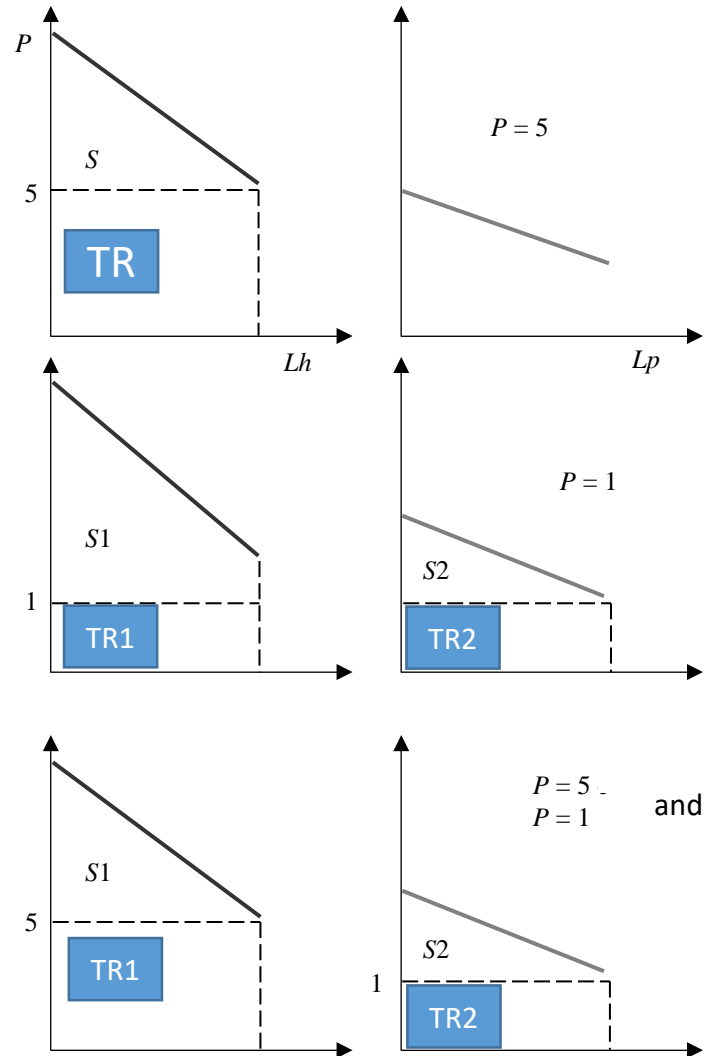
Strategy 2 – One  
only price ,  $P = 1$



# The surplus practice

Lh = hardback edition

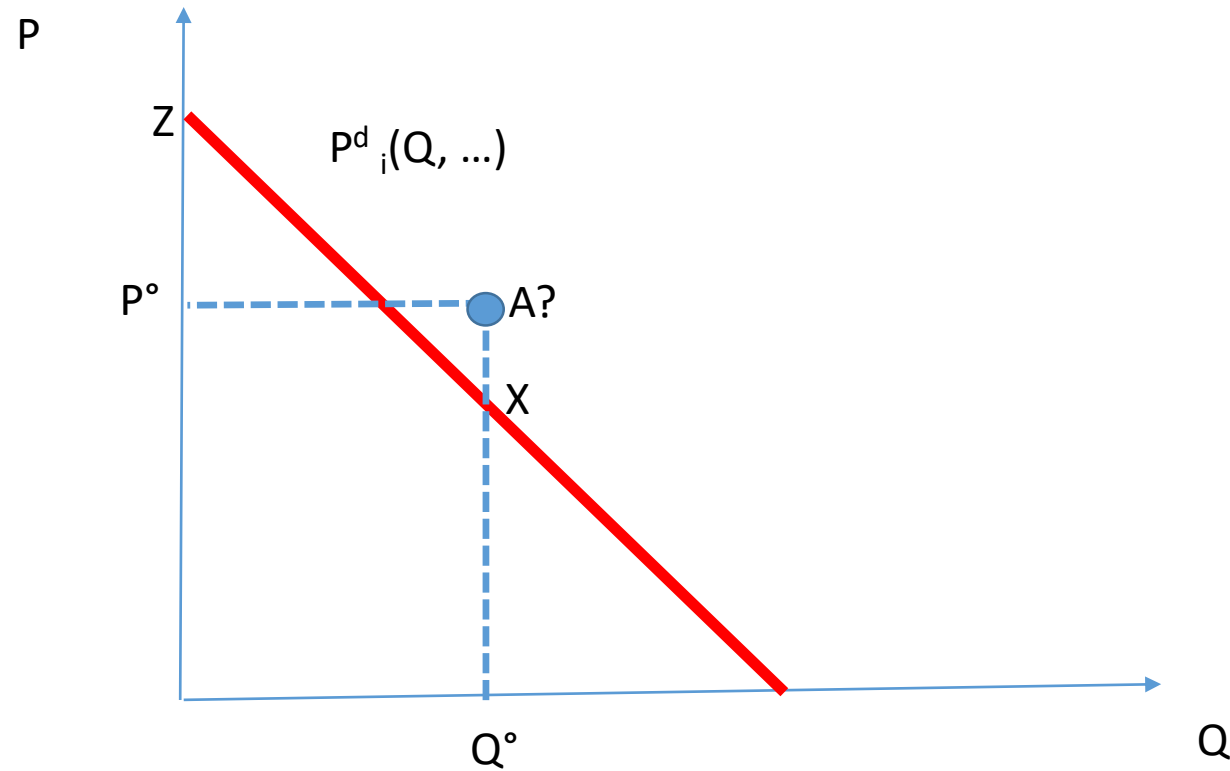
Lp= paperback edition



Strategy 3 – Two prices



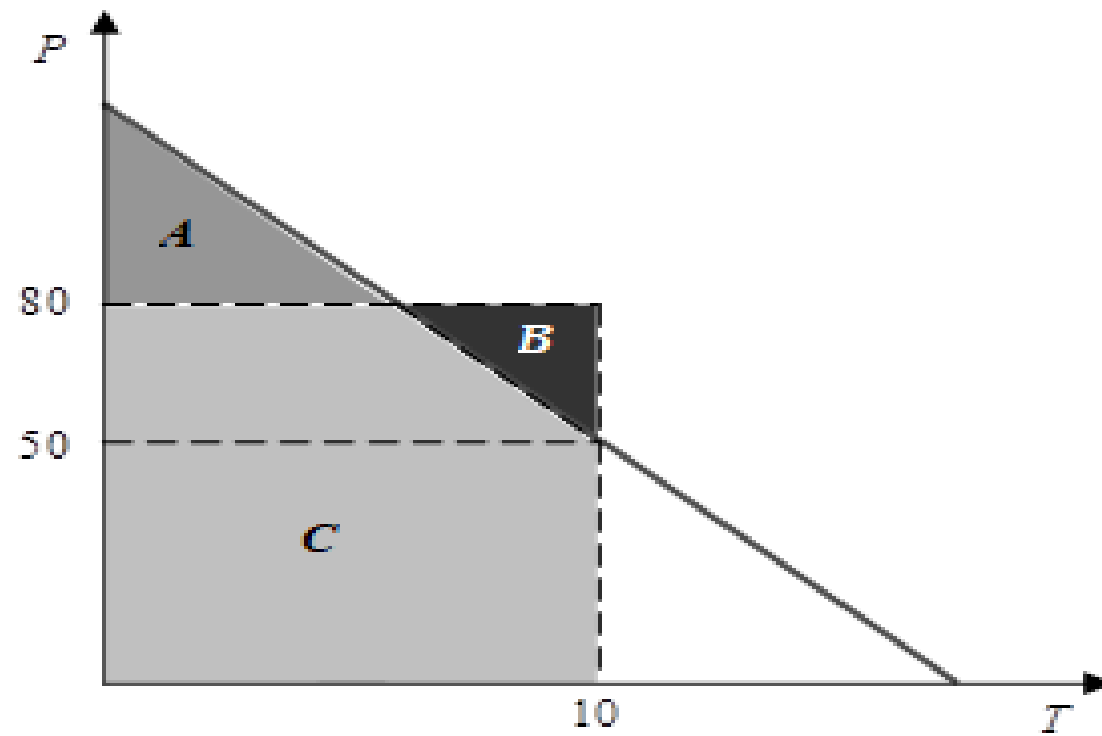
# Take it or leave it?







Take it!





# What about now?

