Three Discrimination Problems

- Joe’s Barber Shop
- Ethyl’s Bar and Grill
- Fred’s House of Pancakes

Joe’s Barber Shop

- Joe’s Barber Shop is located in a quiet Cleveland Suburb. Joe’s customers either
  - Work in downtown Cleveland and home mainly on the weekends, or are
  - Residents of Happy Days Retirement Home.

<table>
<thead>
<tr>
<th></th>
<th>Weekdays</th>
<th>Saturday</th>
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<tbody>
<tr>
<td>Commuters</td>
<td>$8</td>
<td>$15</td>
</tr>
<tr>
<td>Denizens of Happy Days</td>
<td>$6</td>
<td>$6</td>
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What price should Joe charge weekdays? Saturday?
Ethyl’s Bar and Grill

• Ethyl’s Bar and Grill has two types of customers. Their demand functions for drinks are

\[ Q = 12 - 2p \]

and

\[ Q = 24 - 3p. \]

• While Ethyl cannot tell the two types apart, she can prevent arbitrage.
• Devise a pricing system (MC = 0).

Fred’s House of Pancakes

• Fred has pancake houses in Seattle and Youngstown, Ohio. The demand functions for pancakes are

Seattle

\[ Q = 100 - 10P \]

Youngstown

\[ Q = 80 - 20P \]

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• What prices should Fred charge otherwise? $5; $2

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End

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