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# Uniform prices for differentiated goods: The case of the movie-theater industry

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### Abstract

Since the early 1970s, movie theaters in the United States have employed a pricing model of uniform prices for differentiated goods. At any given theater, one price is charged for all movies, seven days a week, 365 days a year. This pricing model is puzzling in light of the potential profitability of prices that vary with demand characteristics. Another unique aspect of the motion-picture industry is the legal regime that imposes certain constraints on vertical arrangements between distributors and retailers (exhibitors) and attempts to facilitate competitive bidding for films. We explore the justifications for uniform pricing in the industry and show their limitations. We conclude that exhibitors could increase profits by engaging in variable pricing and that they could do so more easily if the legal constraints on vertical arrangements are lifted.



## JEL classification

D40; K21; L20; L82; M21; Z11

## Keywords

Antitrust; Motion pictures; Uniform prices; Paramount decrees; Vertical arrangements

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