You are cordially invited to

Declining Marginal Cost Industries in the Global Information Age

A Workshop by the Competitive Enterprise Institute

Dinner on Thursday, May 6, 2004 at 6:30pm

Jurys Hotel
1500 New Hampshire Ave NW

and

Workshop on Friday, May 7, 2004
from 9:00am to 3:10pm

Dumbarton House
2715 Que Street NW

The Competitive Enterprise Institute, in partnership with the Progress and Freedom Foundation, is hosting an invitation-only workshop on declining marginal cost industries. The workshop will survey pricing practices in the digital media, network, pharmaceutical, and transportation industries. From this, participants (everyone at this workshop is a participant) will gain an understanding of the overlapping pricing issues facing modern markets in the global information age.

The declining marginal cost problem remains the key challenge to a range of industries. As Ronald Coase long ago noted, a declining cost industry must find some way to finance itself: either via creative multipart pricing (facilitated by bundling or contracts) or via some form of government subsidy. The markets solution has traditionally relied on distinct marketing strategies in different geographic regions and to different segments of the markets, with market segmentation facilitated by the high costs to consumers of transport and/or the difficulty of acquiring information about the prices paid by others. The government subsidy approach inevitably entails government regulatory and/or price controls (there are no “free” subsidies). Clearly, we prefer the market solution. But how?

We will present each panel with the same basic inquiries: (1) In what ways does industry encounter problems pricing its products? (2) How does industry specifically address the marginal cost problem? (3) How do antitrust laws and public policy initiatives interfere with the ability of pricing? and (4) What ideas are emerging from academia and industry to deal with future pricing issues?

Please join us for a discussion on this important and timely issue.

Keynote Dinner Address: Vernon Smith

Opening Videotaped Remarks: Ronald Coase and Lester Telser
Limited funds are available for travel scholarships, for which we ask that you nominate yourself on a needs basis only.

Please RSVP using the attached form. For further information please contact Braden Cox at 202.331.2254.

Workshop Schedule

**Thursday, May 6, 2004**

**Jurys Hotel**
**1500 New Hampshire Ave NW (Dupont Circle)**
**Washington, DC 20036**
**(202) 483-6000**

6:30pm Cocktails

7:30pm Keynote Dinner Address by Vernon Smith, Nobel Prize winner in Economics and Professor of Economics and Law at George Mason University

9:30pm Adjourn

**Friday, May 7, 2004**

**Dumbarton House**
**2715 Que Street NW**
**Washington, D.C. 20007-3071**

9:00am Welcome

9:15am Videotaped Remarks:

Ronald Coase – Nobel Prize winner in Economics and Professor Emeritus of Economics at the Univ. of Chicago Law School.

Lester Telser - Professor Emeritus in Economics, Univ. of Chicago

9:45am **Pharmaceutical**

Moderator: Alex Tabarrok, GMU
Speaker: Patricia Danzon, Univ. of Pennsylvania
Speaker: Henry Grabowski, Duke
Speaker: Jack Calfee, AEI

10:10am   Open Discussion
10:40am    Break
10:55am   Transportation Sector – Airlines, Railroads, Shipping
           Moderator: Wayne Crews, CEI
           Speaker: Kenneth Button, GMU
           Speaker: Lou Thompson, formerly of the World Bank
           Speaker: Ioannis Kessides, World Bank

11:20am   Open Discussion
11:50am   Break
12:00pm   Lunch
           Speaker: Thomas Hazlett, Manhattan Institute

1:00pm    Network Industries – Electricity & Telecom
           Moderator: James Gattuso, Heritage
           Speaker: Richard O’Neill, FERC
           Speaker: Jerry Ellig, Mercatus
           Speaker: Tim Brennan, UMBC
           Speaker: Richard Pierce, GWU Law

1:30pm   Open Discussion
2:00pm    Digital Property / Software
           Moderator: Braden Cox, CEI
           Speaker: Jim Delong - PFF
           Speaker: John Duffy – GWU Law
           Speaker: Andrew Odlyzko – Univ. of Minnesota

2:25pm   Open Discussion
2:55pm    Concluding Remarks
3:10pm    Adjourn