

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 market 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	<u>Pharmaceutical</u> 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