

# On Competitive Nonlinear Pricing\*

Andrea Attar<sup>†</sup>      Thomas Mariotti<sup>‡</sup>      François Salanié<sup>§</sup>

February 27, 2013

## Abstract

A buyer of a divisible good faces several identical sellers. The buyer's preferences are her private information, and they may directly affect the sellers' profits (common values). Sellers compete by posting menus of nonexclusive contracts, so that the buyer can simultaneously and privately trade with several sellers. We focus on the finite-type case, and we provide a full characterization of pure-strategy equilibria in which sellers post convex tariffs. All equilibria involve linear pricing. When the sellers' cost functions are linear and do not depend on the buyer's type (private values), equilibria exist and trade is efficient. Under common values, or when the sellers' costs are strictly convex, there is a severe form of market breakdown as at most one type of the buyer may actively trade. Moreover equilibria exist only under restrictive conditions.

**Keywords:** Adverse Selection, Competing Mechanisms, Nonexclusivity.

**JEL Classification:** D43, D82, D86.

---

\*We thank conference participants at the 7<sup>th</sup> ENSAI Economic Day and at the Université Paris-Dauphine Workshop in Honor of Rose-Anne Dana for many useful discussions. Financial support from the Chaire Marchés des Risques et Création de Valeur and the European Research Council (Starting Grant 203929-ACAP) is gratefully acknowledged.

<sup>†</sup>Toulouse School of Economics (IDEI, PWRI) and Università degli Studi di Roma "Tor Vergata."

<sup>‡</sup>Toulouse School of Economics (CNRS, GREMAQ, IDEI).

<sup>§</sup>Toulouse School of Economics (INRA, LERNA, IDEI).