

Seminario de Microeconomía Aplicada - An Empirical Model of Quantity Discounts with Large Choice Sets

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Resumen del documento: We introduce a Generalized Nested Logit model of demand for bundles that can be estimated sequentially and virtually eliminates any challenge of dimensionality related to large choice sets. We use it to investigate quantity discounts for carbonated soft drinks by simulating a counterfactual with linear pricing. The prices of quantities up to 1L decrease by 31.5% while those of larger quantities increase by +14.8%. Purchased quantities decrease by 20.4%, associated added sugar by 23.8%, and industry profit by 20.5%. Consumer surplus however reduces only moderately, suggesting that linear pricing may be effective in limiting added sugar intake.

Tiempo de exposición: 1:30 p. m. a 2:30 p. m.