Contents

Preface HOW PRICES MATTER V

Chapter 1 PRICE AND THE "LAW OF UNINTENDED CONSEQUENCES"

Hybridnomics: HOV-Lane Economics, California Style; Air Travel Safety for Infants and Toddlers; 9/11 Terrorists and American Deaths Since 9/11; Water Crises in Southern California; Ethanol Subsidies and World Hunger; The California Electricity Crisis; Concluding Comments

Chapter 2 PRICING LEMONS, VIEWS, AND UNIVERSITY HOUSING 29

The Pricing of Lemons; How Prices Adjust to Advantages and Disadvantages of Property; Why Retirement Does Not Curb the Retirees' Food Consumption; University Mispricing; Concluding Comments

Chapter 3 WHY SALES 57

Price Discrimination Theory; A Textbook Case of Textbook Price Discrimination;
The Logic of After-Christmas Sales; Sales and the Economics of Information;
Concluding Comments

Chapter 4 WHY POPCORN COSTS SO MUCH AT THE MOVIES 79

Differential Theater Ticket Prices; Uniform Popcorn Prices; The High Price of Theater Popcorn; The Misguided Entrapment Theory of Overpriced Popcorn; Movie Screening Contract; The Supreme Court and the High Price of Theater Popcorn; The Cost of Theater Popcorn—On the Margin!; Concluding Comments

CONTENTS

Chapter 5 WHY SO MANY COUPONS 101

Coupons and Price Discrimination; Coupons and Peak-Load Pricing; Evidence on Couponing; Coupon Collusion; The Economics of Information and Coupons;

Concluding Comments

Chapter 6 WHY SOME GOODS ARE FREE 113

Profits from Zero Prices; The Nature of Products and Pricing Strategies; The Pricing of Experience Goods; The Pricing of Network Goods; Network Effects and the Microsoft Antitrust Case; Optimum Piracy; The Pricing of Addictive Goods; Rational Addiction;

Concluding Comments

Chapter 7 FREE PRINTERS AND PRICEY INK CARTRIDGES 143

Relative Production Costs and Buyer Entrapment; Low- and High-Volume Printer
Users; The Relevance of Search Costs; Differences in Discount Rates; Gaming Printer/
Cartridge Deals and Technical and Contract Solutions; The Evidence
on the Relative Prices of Printers and Their Ink Cartridge;
Concluding Comments

Chapter 8 WHY MOVIE TICKET PRICES ARE ALL THE SAME 159

Different Price for Different Folks; The Puzzle of Uniform Ticket Prices at the Movies;
Past Price Variations; Why Uniform Ticket Prices; DVD Releases; Concluding
Comments

Chapter 9 WHY SO MANY PRICES END WITH "9" 177

Just-Below Prices as Historical Artifact; Just-Below Pricing and Information Economics;
Psychological Pricing; Prices as Code; Concluding Comments

CONTENTS

Chapter 10 THE ECONOMICS OF MANUFACTURERS' REBATES 19

The Nature of Rebates; The Reasons for Rebates; Rebates and Product Demand;
Breakage Economics; Concluding Comments

Chapter 11 THE PSYCHOLOGY AND EVOLUTIONARY BIOLOGY OF MANUFACTURERS' REBATES 211

Subjective Weighting of Costs and Benefits; Endowment Effects of Purchases with Rebates; Salience and Procrastination; Explanations for People's Observed Decision Making; Concluding Comments

Chapter 12 THE QUESTION OF QUEUES 233

Queues as a Pricing Puzzle; The Easy Solutions for Queues; The Economic Logic of Queues; Premium Tickets; Contrived Shortages and Buyer Loyalty; Bandwagon Effects and Queues; Single Versus Multiple Queues; Last-Come/First-Served, a Solution for Queue Length?; Concluding Comments

Chapter 13 WHY MEN EARN MORE ON AVERAGE THAN WOMEN—AND ALWAYS WILL 263

Conventional Explanations for Gender-Pay Differences; A Different Conceptual Framework; Risky Behavior; The Linkages Between Mating and Labor Markets; Explaining the Narrowing Pay Gap; The Female/Male Wage Gap: Hard Wired or Cultural?; A Summary Assessment; Concluding Comments

BIBLIOGRAPHY 291

SUBJECT INDEX 319