

VERTICAL PRODUCT DIFFERENTIATION: UNDER BUYER'S QUALITY (UN)CERTAINTY: AN EXPERIMENT ON DURABLE GOODS.

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In a market for durable goods of different quality an experimental analysis is conducted. On varying the two treatment variables: the distribution of income and the absence (presence) of asymmetric information, the relation between the possible multiple equilibria and price differentials for qualitatively different products is discussed. An addition result - generated from anonymous and face to face bargaining is also presented for outlining the emergence of reputation reciprocal credence.