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12 July 2014

Online at <https://mpra.ub.uni-muenchen.de/79614/>

MPRA Paper No. 79614, posted 12 Jun 2017 04:38 UTC

An Economics Approach to Fixing the Fare of the Parking Lot Service in Bogotá Using Price Cap Regulation

Fare regulation of the Parking Lot Service in Bogotá

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This article presents an application of the Ramsey Pricing approach to establish the price cap or pricing ceiling per minute for the parking lot service in Bogotá (Colombia), using the microeconomic framework for price fixing from a costs analysis (total fixed costs, total variables costs, average total cost and marginal cost) of the provision of parking lot service in Bogotá. These results were evidenced by means a dynamic panel data model for estimating total cost functions through GMM estimators (Generalized Method of Moments). Also, from the econometric outcome and using Ramsey Pricing approach and mathematical optimization (comparative statics), I obtained the maximum fare per minute that should pay the consumers of the parking lot service in Bogotá. I conclude that the current maximum fee per minute, paid by parking users, does not cover the fixed costs incurred by firms that provide legally this service in Bogotá.

Keywords: Ramsey Pricing, price cap, maximum fare per minute, microeconomic framework, parking lot service, Bogotá, total cost of production, dynamic panel data model, comparative statics.

JEL Classification Codes: R41; R48; C81.

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