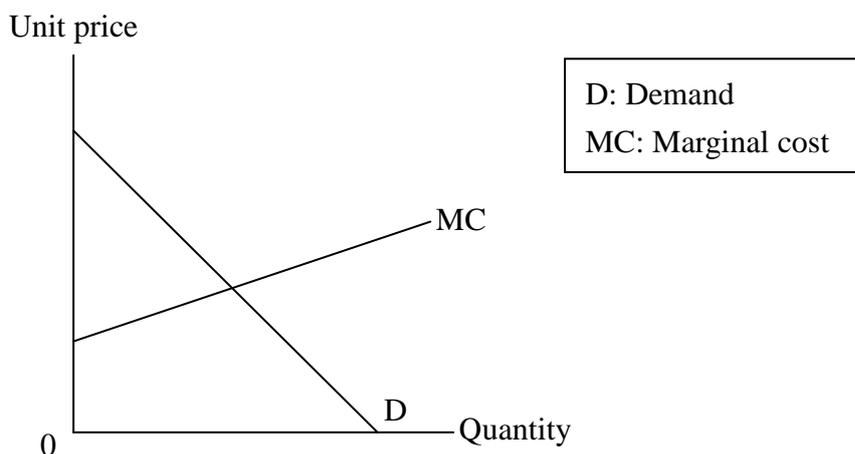


26.1 Simple Monopoly Pricing

1. Simple monopoly pricing refers to a monopolist charging all consumers (*the same price / different prices*) for all units of a good.
2. A monopolist faces a (*downward-sloping / horizontal*) demand curve, which is the same as the market demand curve.
3. Study the following diagram.



(a) The above monopolist adopts uniform pricing to maximise its profit. Explain how the monopolist will set a price to maximise its profit. Indicate the output (Q_M) and the price (P_M) in the above diagram.

(b) At Q_m , marginal benefit is (*higher / lower*) than marginal cost.

(c) Indicate the deadweight loss in the above diagram.

4. The following table shows the comparison between monopoly under simple monopoly pricing and perfect competition.

	Monopoly under simple monopoly pricing	Perfect competition
Output	The monopoly output is (<i>greater than / smaller than / equal to</i>) the output in a perfectly competitive market	
Price	The monopoly price is (<i>higher than / lower than / equal to</i>) the price in a perfectly competitive market	
Marginal revenue	Marginal revenue is (<i>greater than / smaller than / equal to</i>) price	Marginal revenue is (<i>greater than / smaller than / equal to</i>) price
Deadweight loss	(<i>exists / does not exist</i>)	(<i>exists / does not exist</i>)

26.2 Price Discrimination

5. Price discrimination is _____

6. Match each type of price discrimination with the correct definition. Write the letter in the space provided.

Type	Definition
A. First degree price discrimination	___ A seller charges different buyers different prices depending on their demand for the good or service.
B. Second degree price discrimination	___ Different prices are charged in different market segments with different elasticities of demand for the same good produced at the same cost.
C. Third degree price discrimination	___ A seller charges different prices for different quantities of a good or service sold.

7. Does each of the following cases constitute price discrimination? Explain.

Case	Yes/No	Explanation
(a) In a restaurant, students are charged a lower price than adults for the same set lunch.		
(b) Customers of a fitness centre pay less for the same membership during the promotion period.		
(c) Banks charge small companies higher interest rates on loans than big companies.		
(h) Twelve cans of coke packed together are sold at a lower average price than a single can.		