

# 4.3 Price Discrimination

Name: \_\_\_\_\_ Class: \_\_\_\_\_ Date: \_\_\_\_\_

Total: 9 marks

## Objective

Build the skills to answer exam questions on **price discrimination**.

You must be able to:

- define **price discrimination** 价格歧视 and list the conditions required
- explain **perfect (first-degree) price discrimination**
- analyse its effect on output, **consumer surplus**, and **producer surplus**
- explain why perfect price discrimination is allocatively efficient with no deadweight loss

## 1 Worked examples

Study these first. Each one shows the method for a question type used later.

### ■ Price discrimination

Charging different buyers **different prices** for the same good. It needs: **market power**, a way to **separate** buyers by willingness to pay, and no **resale** between them.

### ■ Perfect price discrimination

The firm charges each buyer their **maximum willingness to pay**, capturing **all** consumer surplus as producer surplus.

### ■ Efficiency

It produces the **allocatively efficient** quantity (up to  $P = MC$ ), so there is **no deadweight loss** —but consumers gain nothing.

## 2 Practice

2.1 Define price discrimination.

[1]

2.2 State two conditions needed for a firm to price discriminate.

[2]

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**2.3** State what happens to consumer surplus under perfect price discrimination. [1]

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### 3 Exam-style questions

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**3.1** Perfect price discrimination charges each buyer [1]

- **A** the same price
  - **B** their maximum willingness to pay
  - **C** marginal cost
  - **D** zero
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**3.2** Under perfect price discrimination, the deadweight loss is [1]

- **A** doubled
  - **B** zero
  - **C** at its maximum
  - **D** unchanged
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**3.3** A firm can identify each buyer's willingness to pay and prevent resale.

(a) Name the pricing strategy it can use. [1]

(b) State what happens to consumer surplus. [1]

(c) State whether output is allocatively efficient. [1]

### 4 Go further

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- work through the **4.3 Price Discrimination** lesson on the **Learn** page;
- read the **Imperfect Competition** section of the AP Microeconomics handout on the **Know** page.

## Solutions

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**2.1** charging different buyers different prices for the same good.

**2.2** any two of: market power, ability to separate buyers, ability to prevent resale.

**2.3** it is reduced to zero (captured by the firm).

**3.1 B.**

**3.2 B.**

**3.3** (a) perfect (first-degree) price discrimination. (b) it falls to zero. (c) yes —it is allocatively efficient.