Solutions

Each answer shows the steps, then the **result**.

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