MicroEconomics

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Bs Economics
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Question :-

perfect price Discrimination is
effect efficient but harms for consumers.

Ans :-

perfect price discrimination is efficient . It
maximizes the sum of consumer surplus &
producer surplus. Therefore, both perfect competition
& perfect price discrimination maximize total surplus
However, with perfect price discrimination, the entire
surplus goes to the firm . whereas the surplus is
shared under competition.

If the figure e.g is competitive, the intersection of
the demand curve and the managinal marginal
cost curve MC determines, the competitive equilibrium
at e_c where price is P_c and Quantity is Q_c Consumer
surplus is A+B+C producer surplus is D+E and
society has no deadweight loss. The market is
efficient because the price p_c equal the marginal
cost, MC_c.

With the single-price monopoly (which charges all
its consumers the same price because it cannot
distinguish among them) the intersection the output

of Mc curve and the single price monopoly marginal single price of monopoly marginal revenue curve MR^s, determined the output Qs^c.
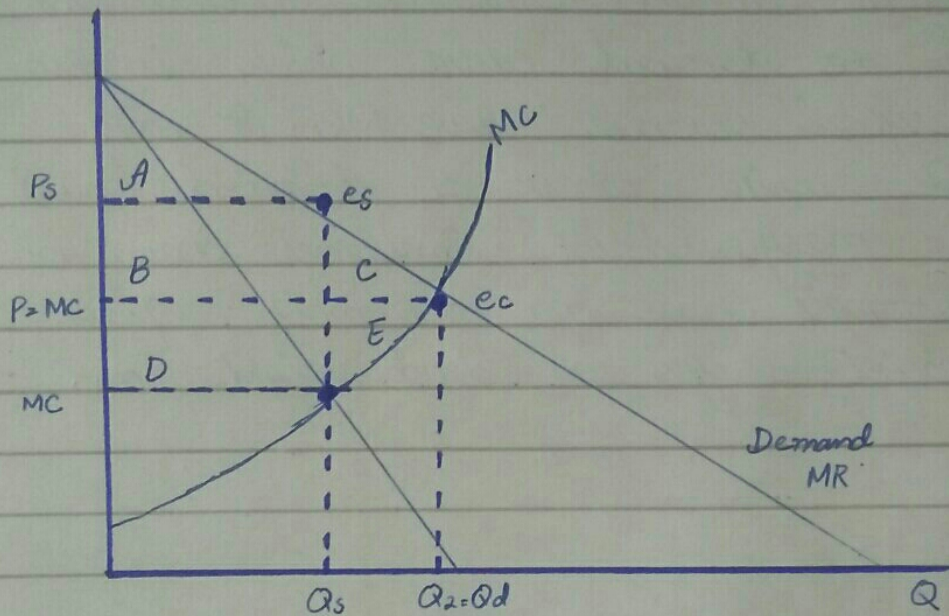
"	Competitive	Single price	Perfect Price Discriminant
Consumer Surplus CB	A+B+C	A	0
producer Surplus PS	D+E	B+D	A+B+C+D+E
welfare W=CS+PS	A+B+C+D+E	A+B+D	A+B+C+D+E
Dead weight Loss (DWL)	0	C+E	0

Explaination:-

In the competitive market equilibrium e_c, and price is p and Quantity is Q_c, consumer surplus is A+B+C, producer Surplus D+E, and society has no deadweight loss In the single is P_s, Quantity is Q_s, consumer

surplus falls to A, producer surplus is B+D and dead weight loss is C+E. In perfect price competitive quilibrium the monopoly sells each unit at the consumer's reservation price on the demand curve which is also its marginal revenue curve MR It sells $Q_d - Q_c$ units where the demand curve at its marginal cost. Consumers have no coast customers have no consumers surplus but society sufer no dead weight loss.