Marginal revenue:
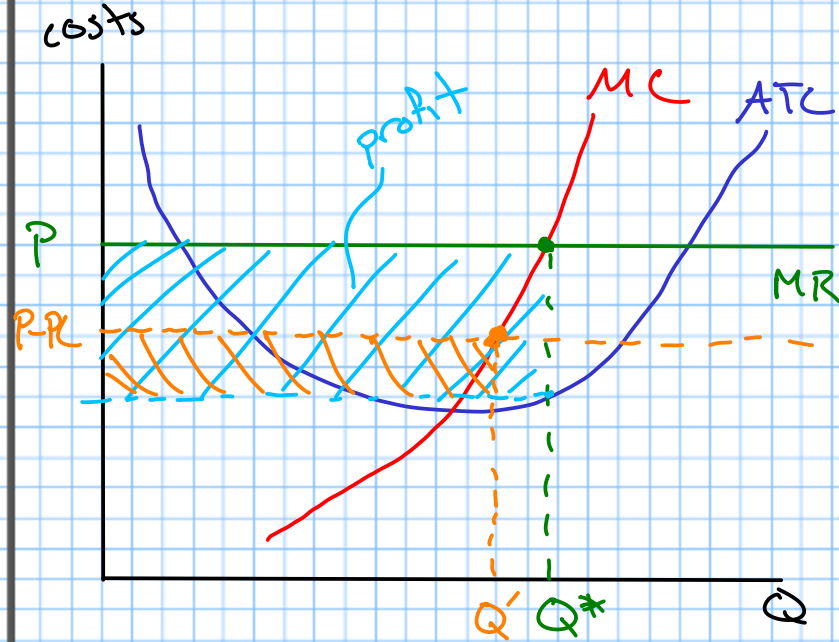   Additional revenue received
   from last unit of
   output

Marginal cost: additional
   costs...

If $MR > MC \rightarrow$ increase
production ($\pi \uparrow$)

If $MR < MC \rightarrow$ decrease
production ($\pi \uparrow$)

profits maximized when $MR = MC$

In competitive markets:
   $MR = P$

Firm is prejudiced against
type B customers

$MR = P - PC$

$Q' < Q^*$

$\pi' < \pi^*$