

MONOPOLY PRICING

Monopoly Pricing:

1. **Uniform Pricing or Single Price:** If monopolists charge single price for entire quantity sold then pricing is called Uniform pricing.
2. **Non-Uniform Pricing or Price Discrimination (PD):** If monopolists charge different price for single or entire quantity then pricing is called PD. PD was developed by economist Pigou. PD can be decomposed in 3 categories viz:
 - (a) **First Degree PD or Highest Degree PD or Perfect PD**
 - (b) **Second Degree PD or Block PD**
 - (c) **Third Degree PD or Lowest Degree PD**

(a) **First Degree PD or Highest Degree PD or Perfect PD:** Each point on the demand curve represents the maximum price that consumers are willing to pay for each unit of quantity & if monopolist charge maximum price for their product then the pricing is known as First Degree PD.

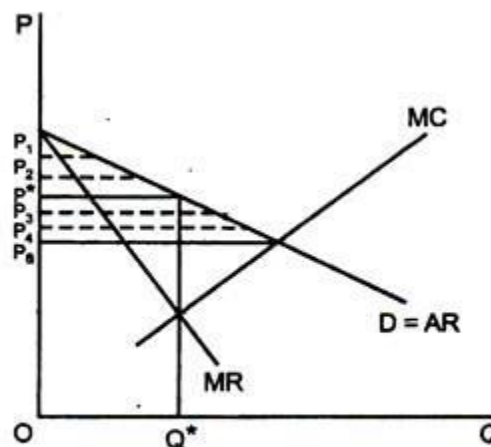


Fig. 9.9 : Imperfect First-degree Price Discrimination

MONOPOLY PRICING

- (b) **Second Degree PD or Block PD:** Monopolists charge different price for different block of quantities where within the block prices are constant.

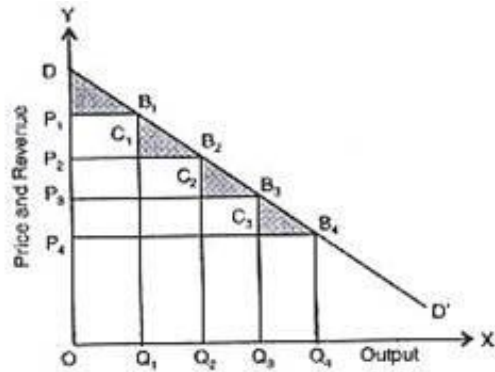


Fig. 14.13 : Second Degree Price Discrimination

- (a) **Third Degree PD or Lowest Degree PD:** If we have more than one price for homogeneous quantity.

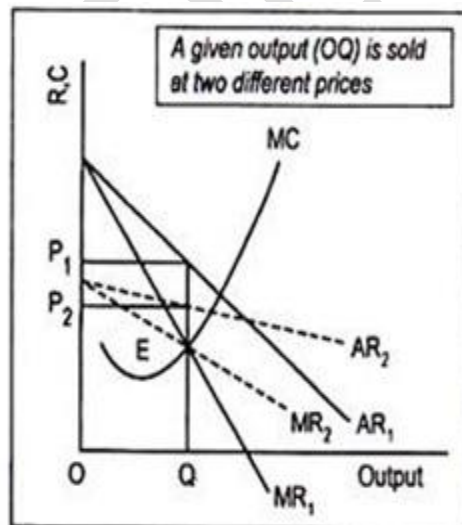


Fig. 5.5: Monopolist's Supply Curve