

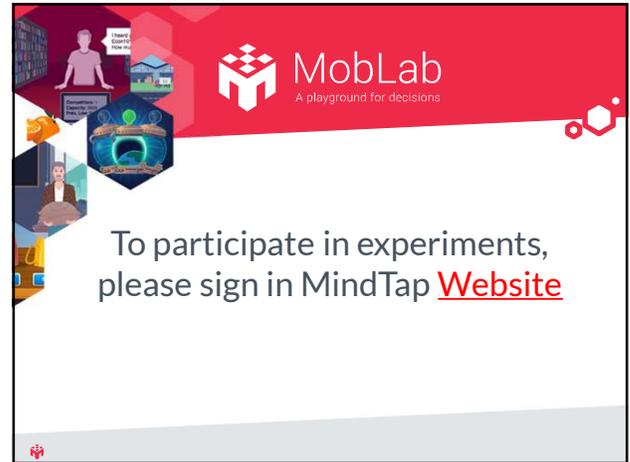


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A playground for decisions

Monopoly and Price Discrimination

Production and Pricing

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To participate in experiments, please sign in MindTap [Website](#)



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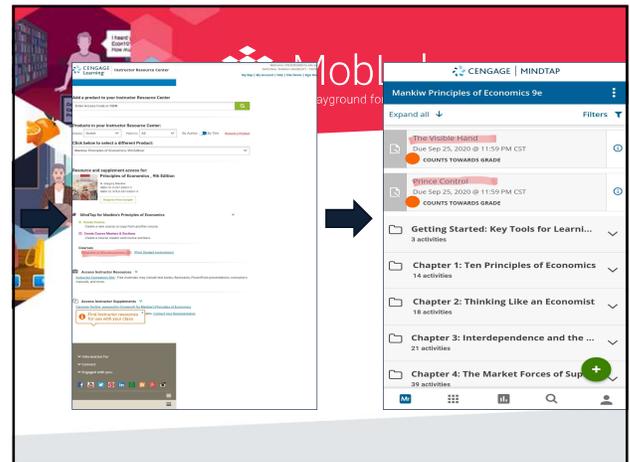
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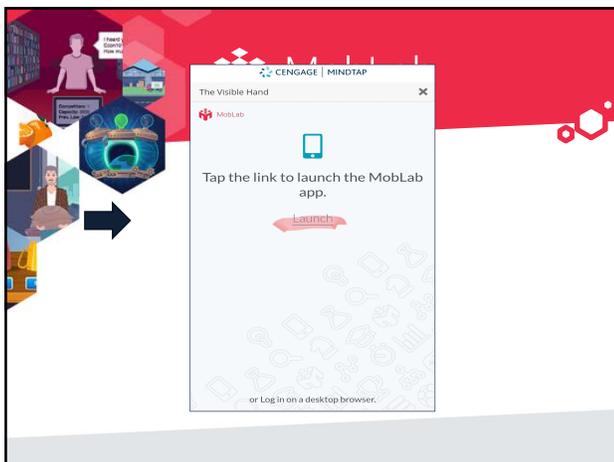
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Mankiw Principles of Economics 9e

Expand all

- The Visible Hand
Due Sep 25, 2020 @ 11:59 PM CST
COUNTS TOWARDS GRADE
- Price Control
Due Sep 25, 2020 @ 11:59 PM CST
COUNTS TOWARDS GRADE
- Getting Started: Key Tools for Learning
- Chapter 1: Ten Principles of Economics
14 activities
- Chapter 2: Thinking Like an Economist
18 activities
- Chapter 3: Interdependence and the ...
21 activities
- Chapter 4: The Market Forces of Supply and Demand
39 activities



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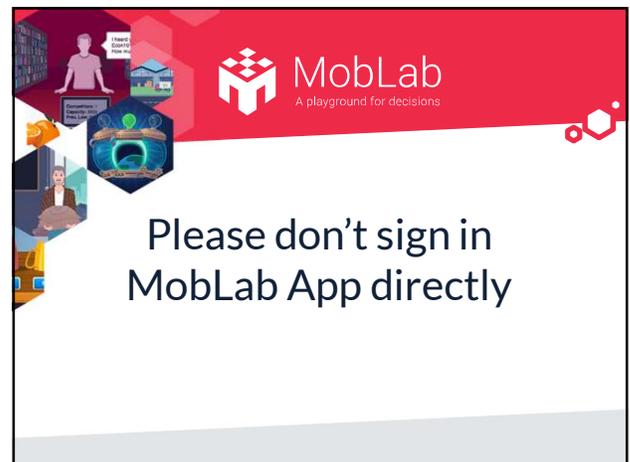
The Visible Hand

MobLab

Tap the link to launch the MobLab app.

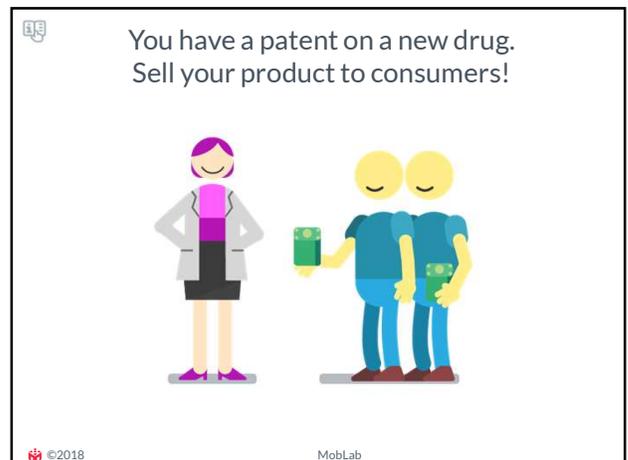
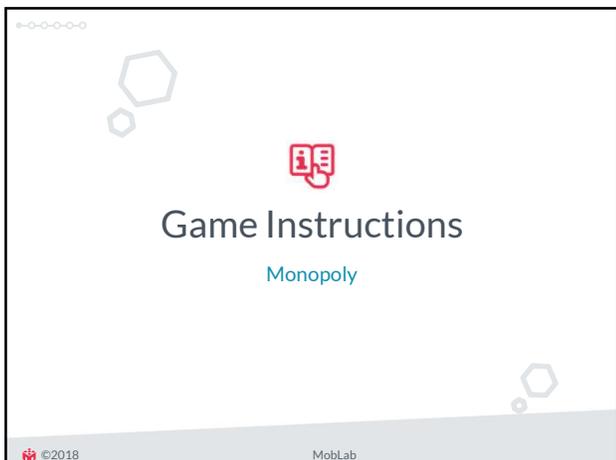
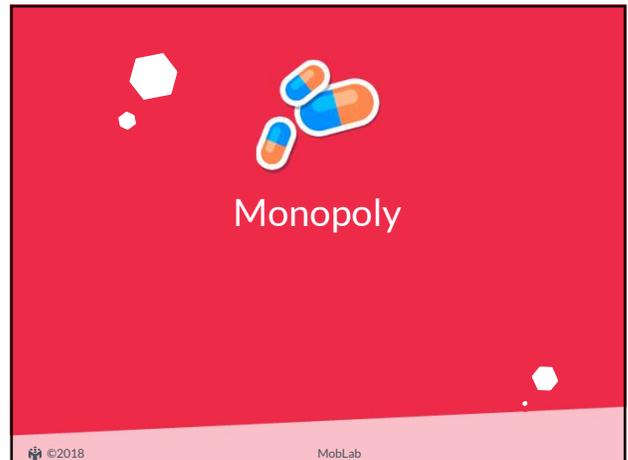
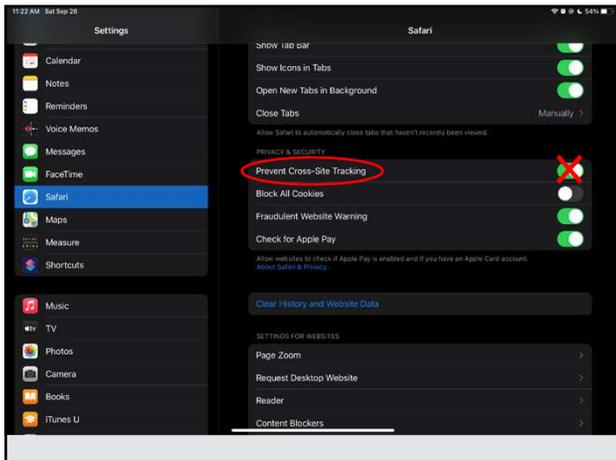
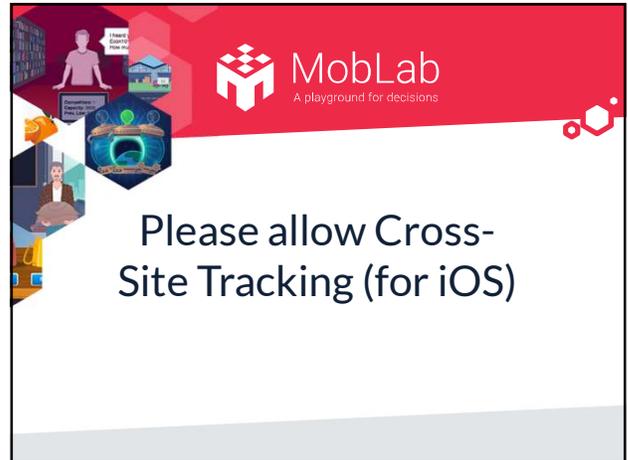
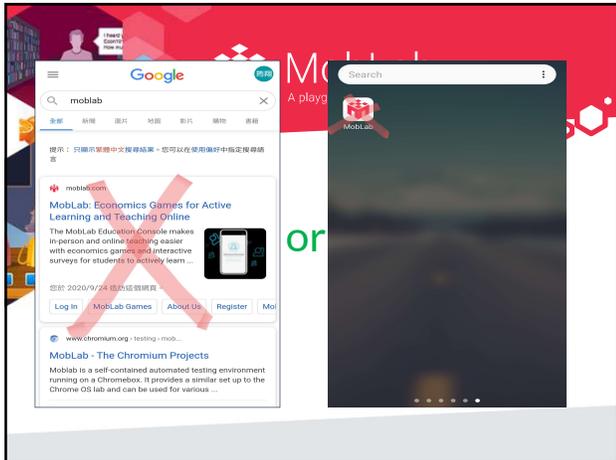
Launch

or Log in on a desktop browser.



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Please don't sign in MobLab App directly



SINGLE MARKET

marginal cost
\$2.00
marginal revenue
\$6.00
show graph

price
\$7.00

add to market

4

Submit

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Use the + button to increase the amount of product to produce

marginal cost
\$2.00
marginal revenue
\$6.00
show graph

price
\$7.00

add to market

4

Submit

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Use the trash button to decrease the amount of product to produce

marginal cost
\$2.00
marginal revenue
\$6.00
show graph

price
\$7.00

add to market

4

Submit

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Profit = (Price - Marginal Cost) x Quantity

marginal cost
\$2.00
marginal revenue
\$6.00
show graph

price
\$7.00

add to market

4

Submit

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Press **Submit** to finalize your decision

marginal cost
\$2.00
marginal revenue
\$6.00
show graph

price
\$7.00

add to market

4

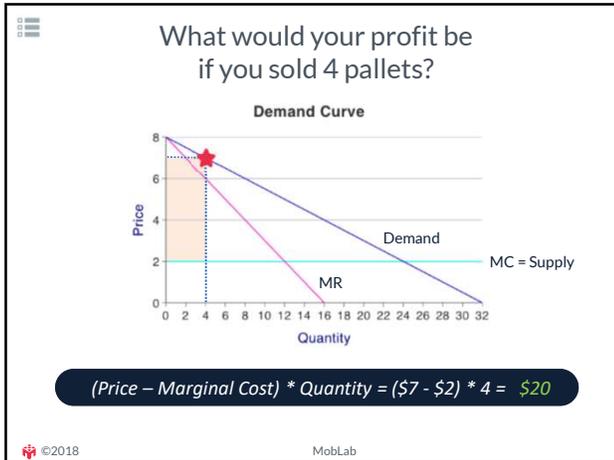
Submit

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Pre-Game Survey

Monopoly

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What quantity maximizes profits?

Let's find out!

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Game Time!

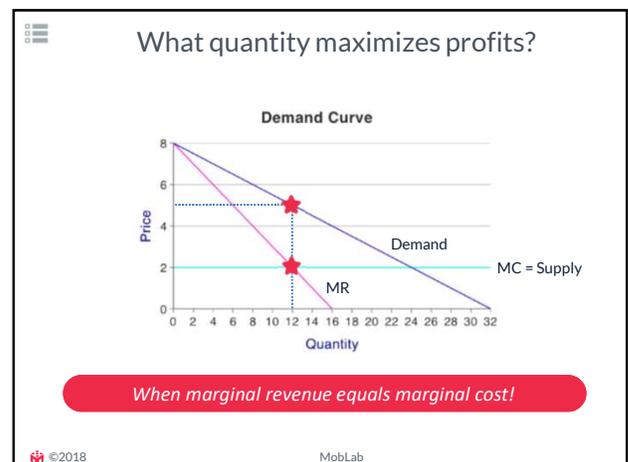
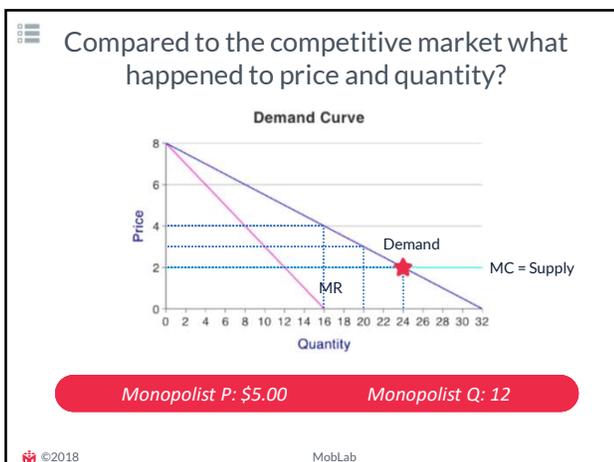
Monopoly

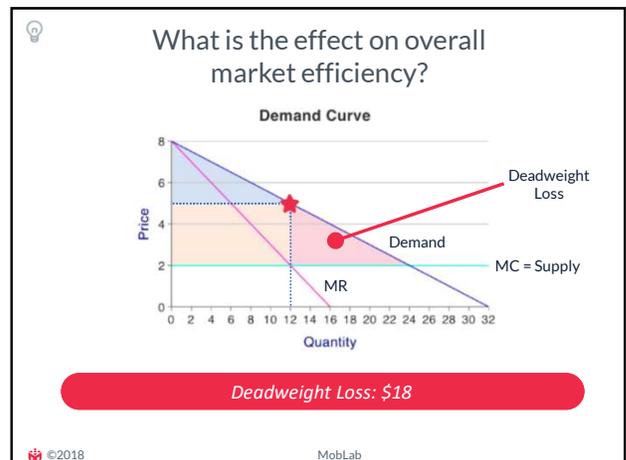
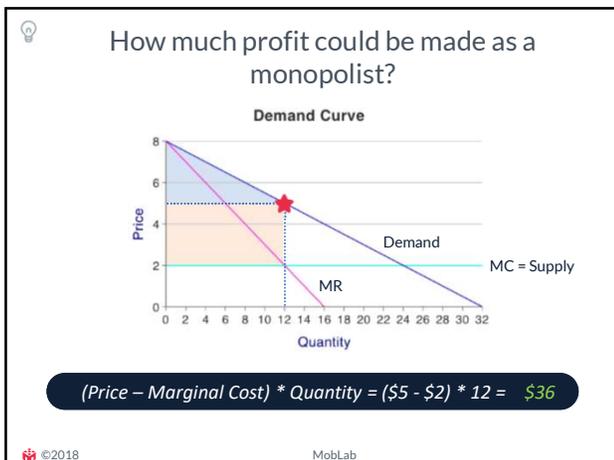
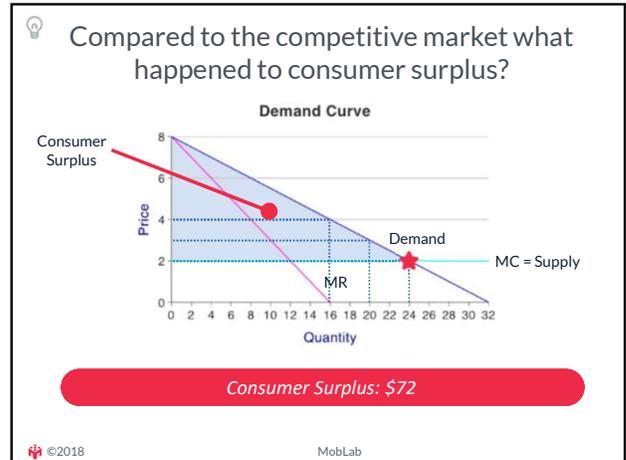
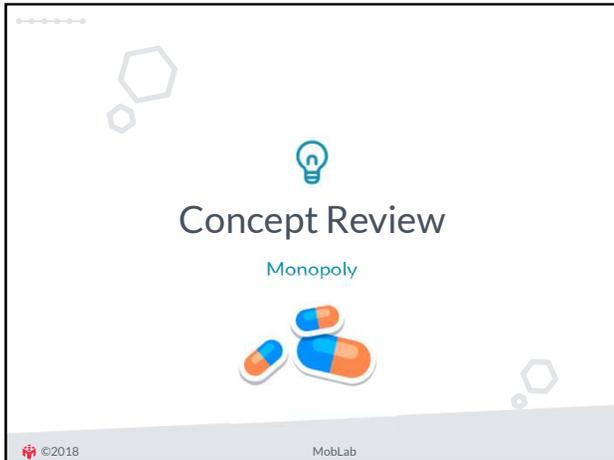
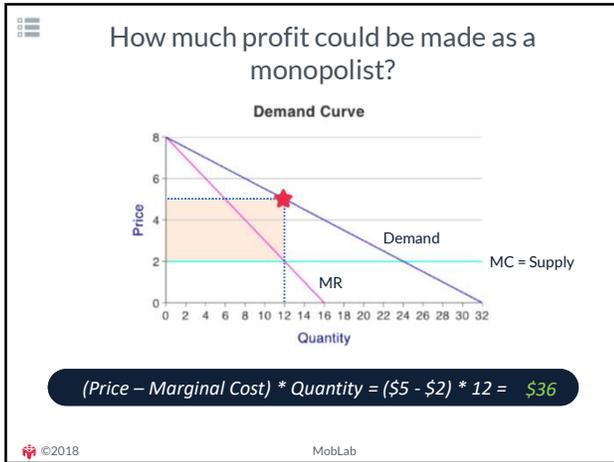
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Post-Game Survey

Monopoly

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The different types of monopolies

- *Monopoly over a Resource*
 - DeBeer's owned over 80% of the world's supply of diamonds at one point.
- *Government-Created Monopoly*
 - Patents and Copyrights give creators a monopoly over a product for a determined amount of time.
- *Natural Monopolies*
 - Public Utilities are determined to be able to provide their service to entire market at a lower cost than could two more more firms.

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Price Discrimination

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What will happen to Profit and Efficiency?

Let's find out:

- Suppose there are **two types of consumers** for your product. You are **unable** to distinguish between the two.



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Game Time!

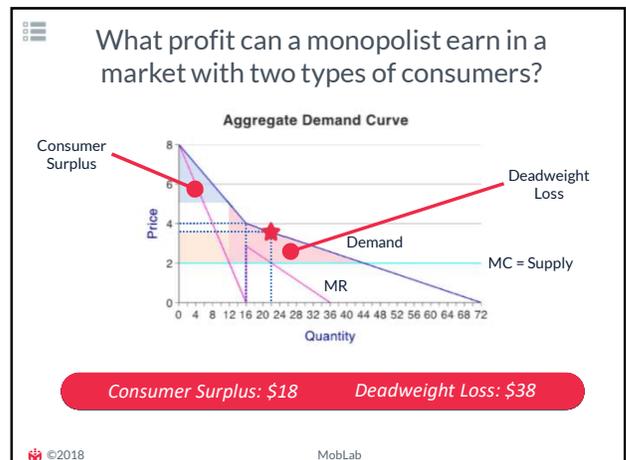
Mixed Market

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Post-Game Survey

Mixed Market

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What will happen to Profit and Efficiency?

Let's find out:

- Suppose there are **two types of consumers** for your product. You are **able** to distinguish between the two.



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Game Time!

Price Discrimination

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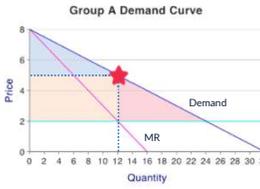
Post-Game Survey

Price Discrimination

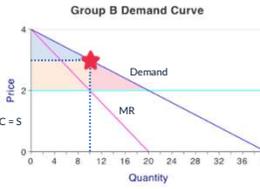
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What happened to profit and efficiency?

Group A Demand Curve



Group B Demand Curve



| | |
|---------------------------|---------------------------|
| $(\$5 - \$2) * 12 = \$36$ | $(\$3 - \$2) * 10 = \$10$ |
| Consumer Surplus: \$18 | Consumer Surplus: \$5 |
| Deadweight Loss: \$18 | Deadweight Loss: \$5 |

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Results Discussion

Price Discrimination

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Concept Review

Price Discrimination



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What happened to profit and efficiency?

| | Mixed Market | Price Discrimination | Difference |
|------------------|--------------|----------------------|------------|
| Profit | \$36 | $\$36 + \$10 = \$46$ | +\$10 |
| Consumer Surplus | \$18 | $\$18 + \$5 = \$23$ | +\$5 |
| Total Surplus | \$54 | \$69 | +\$15 |
| Deadweight Loss | \$38 | $\$18 + \$5 = \$23$ | -\$15 |

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Key Takeaways

- *Price Discrimination* is the act of charging different consumers different prices for the same product.
 - Price discrimination can increase a monopolist's profit.
 - Price discrimination can also increase overall efficiency in the market by increasing total (consumer and/or producer) surplus.

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Completed
Price Discrimination

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