

### **Answer on Question #44066 – Economics - Economics of Enterprise**

When can monopolist charge different prices for his product?

#### **Solution**

A monopolist has market power, this means that they can set the market price of a good through restricting output. A monopolist can charge different prices to different customers through price discrimination. Assumptions are made that monopolists' objective is to maximize profits. A monopolists profit maximising strategy is to charge different prices to different consumers varying on the price elasticity between them. This will extract the maximum consumer surplus, and thus maximize profits. To price discriminate there also must be some degree of barriers to prevent consumers from switching suppliers. A common strategy of price discrimination is giving students a discount, this is because students are normally more sensitive to prices due to their low income. Students may only buy a product if a discount is given, so the firm provides a discount in order to make these sales.