**KEY CONCEPTS AND SKILLS: Unit 1.5g – Price Discrimination**

**Definitions:**

* **Price Discrimination**: the practice of adjusting the price of a good according to the willingness or ability of different consumers to pay for it
* **Third Degree Price Discrimination**: price discrimination (i.e., charging different prices) to different consumer groups based on their price elasticities of demand

**Concepts and Applications:**

* Outline the conditions under which price discrimination can exist.
* Draw a diagram illustrating how a firm maximizes profit in third degree price discrimination.
* Explain why a firm should set the highest price in the market with more inelastic demand (assuming that the conditions for price discrimination exist).