**Figure B1: A Natural Monopoly**

\[ \text{Monopoly Profit} = 900 \]

\[ \text{Subsidy Required Under Marginal Cost Pricing} = 700 \]

\[ \Delta bfd = \text{Deadweight Loss Due to Monopoly} \]

\[ \Delta cde = \text{Deadweight Loss Under Average Cost Pricing} \]
Figure 3.2: Third-Degree Price Discrimination