A working definition

- A monopolist is a firm facing a downward sloping demand curve, and who takes the prices charged by competing firms as given.

This is not the standard textbook definition of a monopoly as the sole producer of a good, but it works better.
Pick the Monopoly

• Is Microsoft a monopoly?

• It has competition

Pick the Monopoly

• Is Microsoft a monopoly?

• Is Joe’s Corner Grocery a monopoly?

• It has competition

• It is not a price taker; if it raises prices a little bit, its customers will not disappear.

Marginal and Total Revenue

$ TR

Maximizes Revenue $ q_{max}$
Profit Maximization

MR = MC

Since the monopolist sets MR = MC, the profit maximizing price exceeds marginal cost.

Linear Demand Functions

The MR curve is a straight line, hitting the price axis halfway between the origin and the point where the demand function hits the quantity axis.
The MR curve is a straight line, hitting the price axis halfway between the origin and the point where the demand function hits the quantity axis. This point applies only to straight line demand functions.