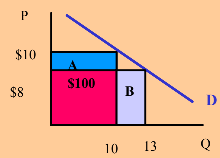
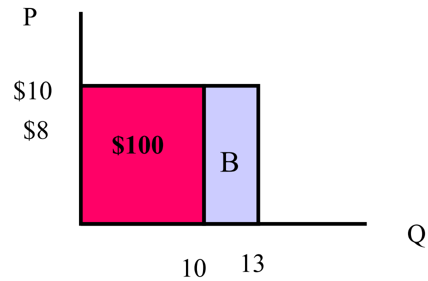
Monopoly



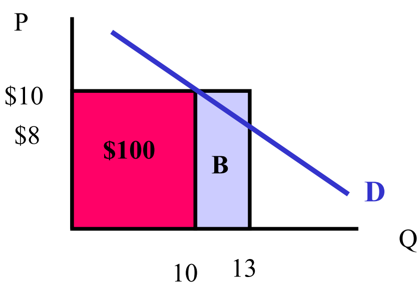
Lectures in Microeconomics-Charles W. Upton

Monopoly



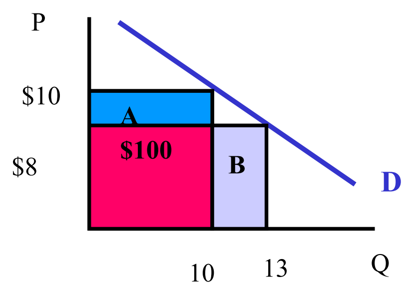
Monopoly

Monopoly



Monopoly

Monopoly



Monopoly

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.*

Monopoly

A working definition

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

Monopoly

Pick the Monopoly

- Is Microsoft a monopoly?

Pick the Monopoly

- Is Microsoft a monopoly?
- It has competition

Pick the Monopoly

- Is Microsoft a monopoly?
- It has competition

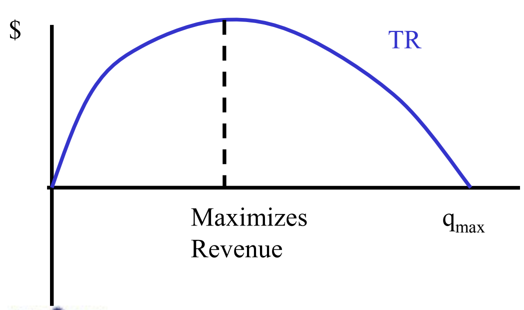
- Is Joe's Corner Grocery a monopoly?

Pick the Monopoly

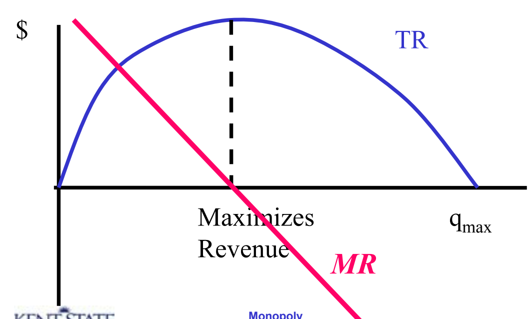
- Is Microsoft a monopoly?
- It has competition

- Is Joe's Corner Grocery a monopoly?
- It is not a price taker; if it raises prices a little bit, its customers will not disappear.

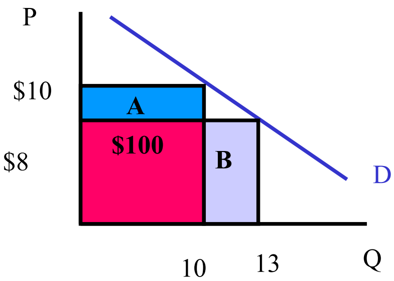
Marginal and Total Revenue



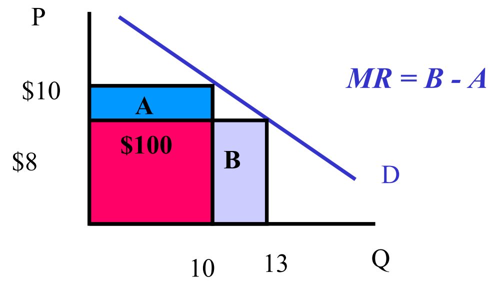
Marginal and Total Revenue



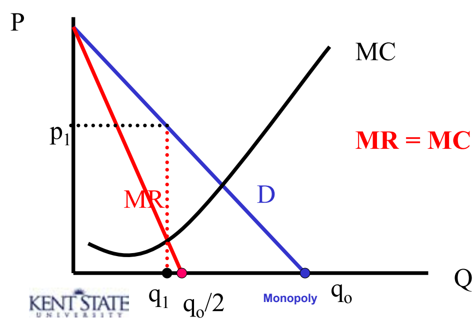
Monopoly



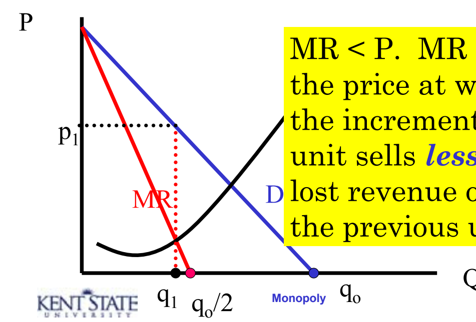
Monopoly



Profit Maximization

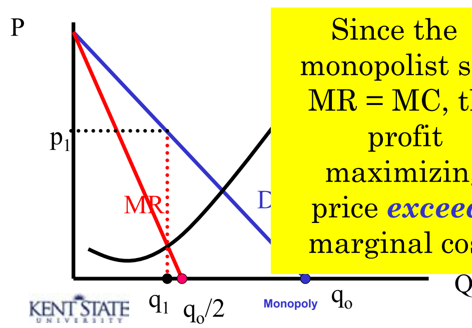


MR < P



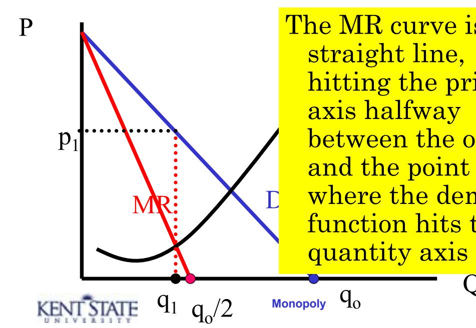
MR < P. MR is the price at which the incremental unit sells ***less*** the lost revenue on the previous units.

P > MC



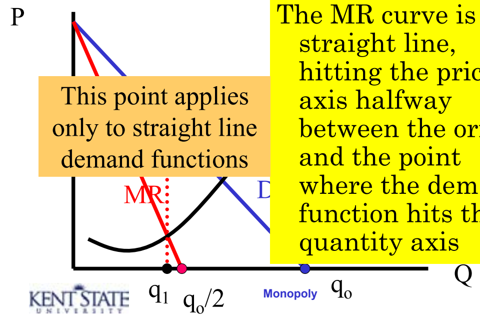
Since the monopolist sets MR = MC, the profit maximizing price ***exceeds*** marginal cost.

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

Linear Demand Functions



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