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?
- It has competition

Pick the Monopoly

- Is Microsoft a monopoly?
- Is Joe’s Corner Grocery a monopoly?
- It has competition

Pick the Monopoly

- Is Microsoft a monopoly?
- 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

\[
\begin{align*}
 & $\quad \text{Maximizes Revenue} \\
 & \quad q_{\text{max}} \\
 & \text{Marginal and Total Revenue} \\
 & \text{Marginal and Total Revenue} \\
 & \text{Marginal and Total Revenue} \\
 & \text{Marginal and Total Revenue} \\
\end{align*}
\]
**Profit Maximization**

MR = MC

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

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.

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