

Ch. 15 Monopoly

- A firm that is the sole seller of a product without close substitutes
- Market power: Ability to influence the market price
- Three barriers
 - Monopoly resources
 - Government regulation
 - Production process
 - Natural monopoly
- Monopolist's demand curve is downward sloping
 - To sell a larger Q, the firm must reduce P. Thus, $MR \neq P$.
- Profit Maximization rule : $MR = MC$
- Monopolist is a price maker
- A Monopoly firm does Not have an S curve
- Monopoly vs. Generic Drugs
- Welfare cost of monopoly
 - Monopoly results in a deadweight loss
- Price discrimination
 - Sell the same good at different prices to different buyers
 - Perfect price discrimination
 - Perfect Price Discrimination vs. Single Price Monopoly
 - Examples of price discrimination

- Public policy toward monopolies
 - Increasing competition with antitrust laws
 - Regulation
 - Public ownership
 - Do nothing