## Problems

31.

Return to [Figure 9.2](http://openstax.org/books/principles-microeconomics-3e/pages/9-1-how-monopolies-form-barriers-to-entry#CNX_Econ_C09_001). Suppose P0 is $10 and P1 is $11. Suppose a new firm with the same LRAC curve as the incumbent tries to break into the market by selling 4,000 units of output. Estimate from the graph what the new firm’s average cost of producing output would be. If the incumbent continues to produce 6,000 units, how much output would the two firms supply to the market? Estimate what would happen to the market price as a result of the supply of both the incumbent firm and the new entrant. Approximately how much profit would each firm earn?

32.

Draw the demand curve, marginal revenue, and marginal cost curves from [Figure 9.6](http://openstax.org/books/principles-microeconomics-3e/pages/9-2-how-a-profit-maximizing-monopoly-chooses-output-and-price#CNX_Econ_C09_006), and identify the quantity of output the monopoly wishes to supply and the price it will charge. Suppose demand for the monopoly’s product increases dramatically. Draw the new demand curve. What happens to the marginal revenue as a result of the increase in demand? What happens to the marginal cost curve? Identify the new profit-maximizing quantity and price. Does the answer make sense to you?

33.

Draw a monopolist’s demand curve, marginal revenue, and marginal cost curves. Identify the monopolist’s profit-maximizing output level. Now, think about a slightly higher level of output (say Q0 + 1). According to the graph, is there any consumer willing to pay more than the marginal cost of that new level of output? If so, what does this mean?