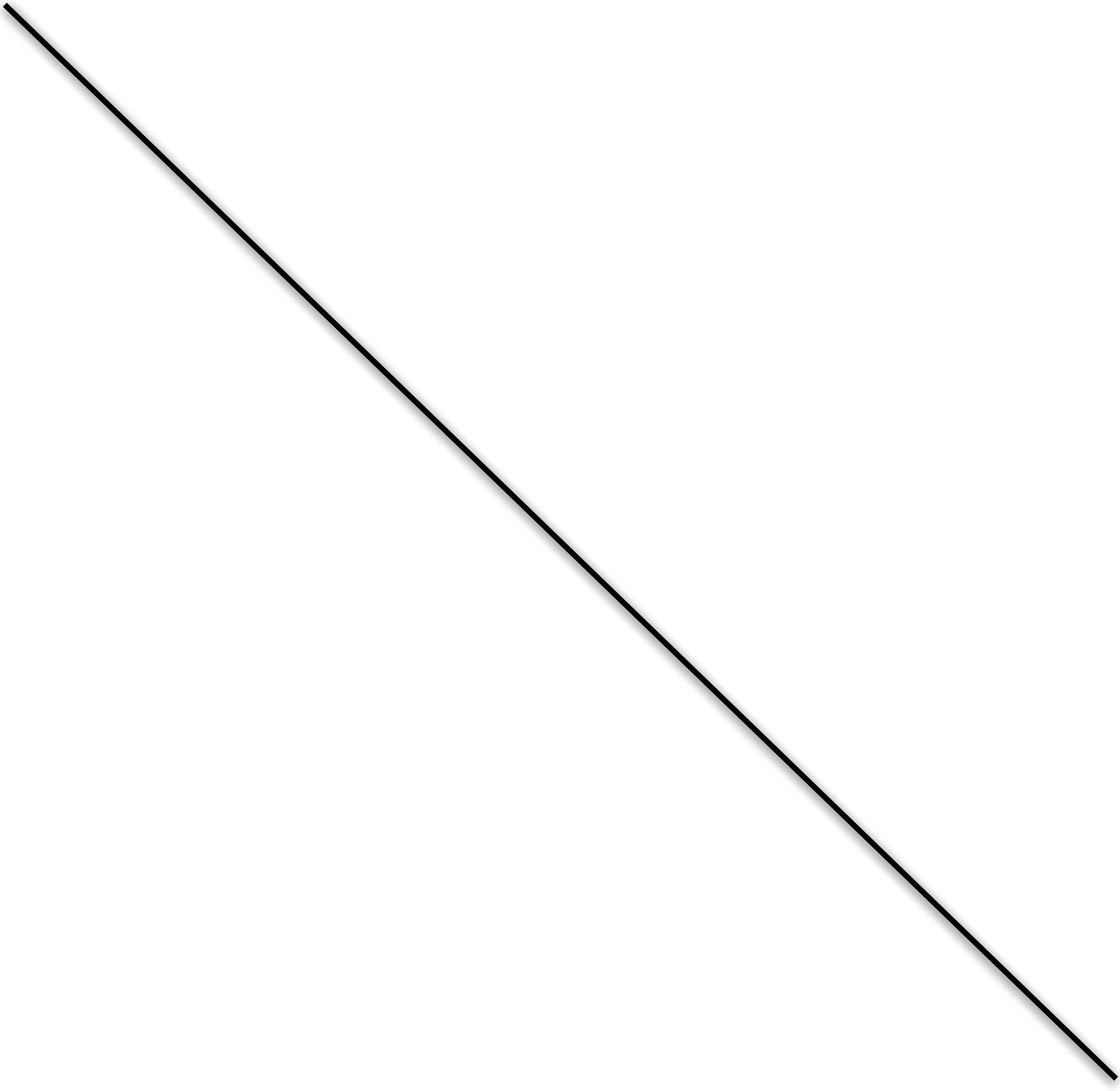


50

45

40

35

30

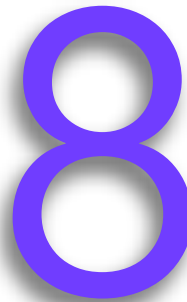
25

20

15

10


2



10

12

14

16

18

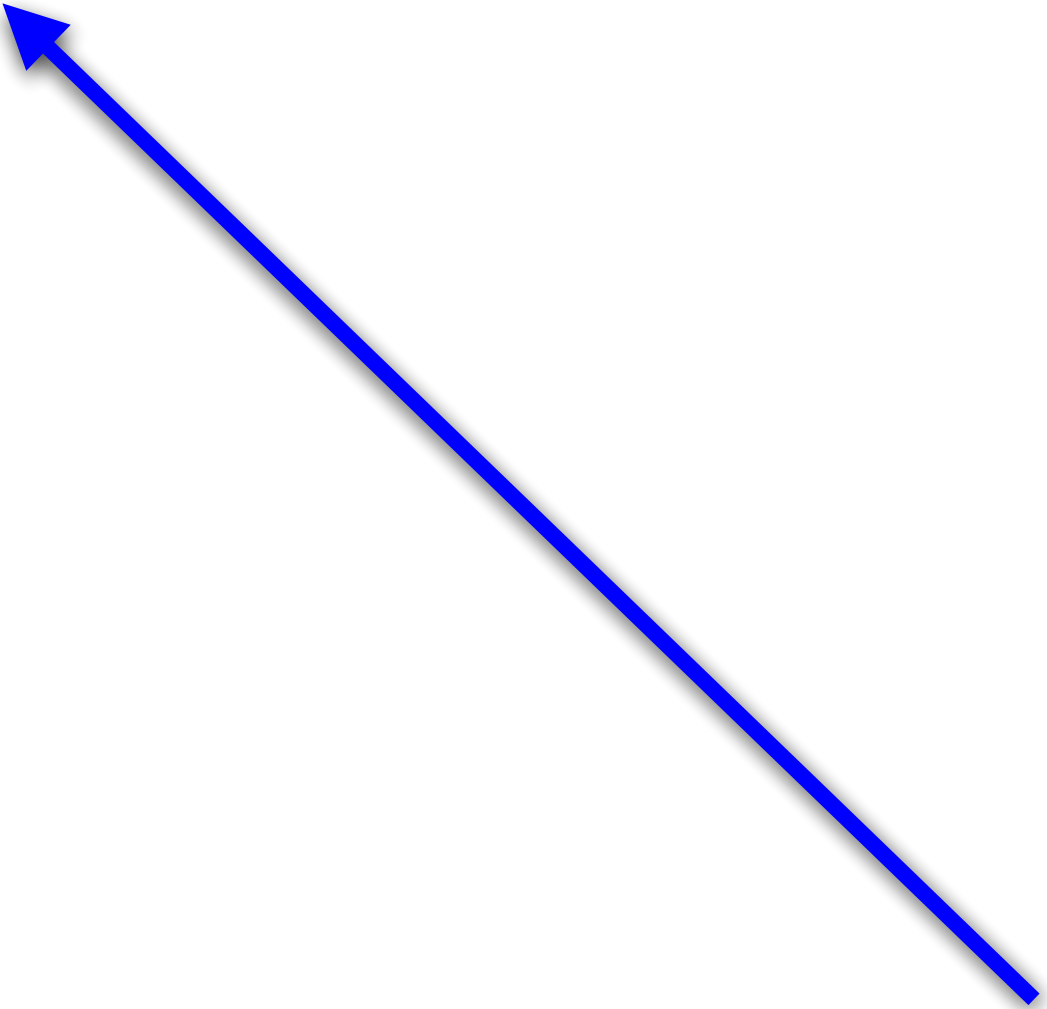
20

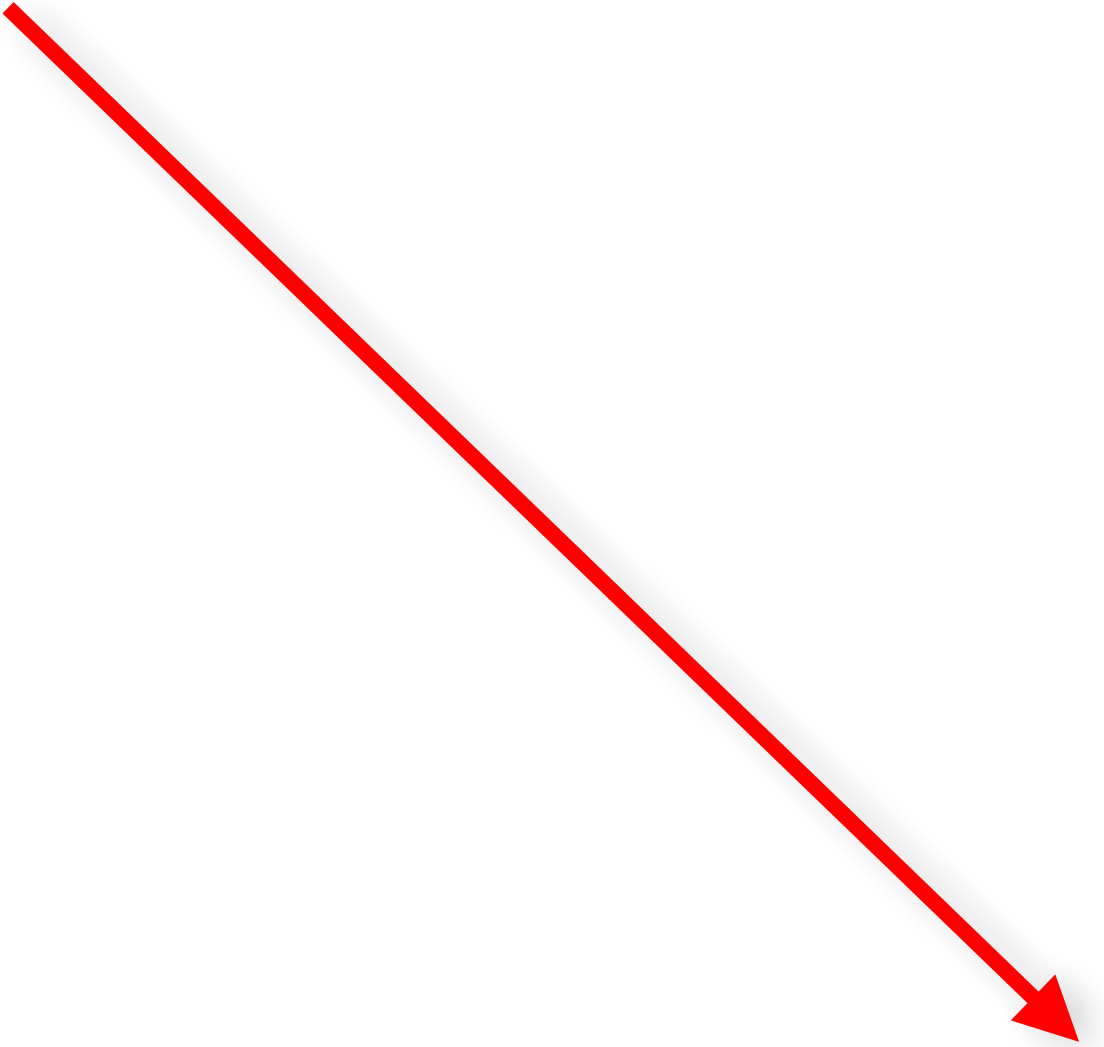
Midpoint

P=10

$$Q^d = 25$$

To increase Revenue:





Total Revenue = Price x Quantity

90=
18x
5

160

=16x10

210

=14x15

240

=12x20

250

=10x25

240

$=8x30$

210

=6x35

160

$=4x40$

$2x45 = 90$

250

Maximum Total Revenue

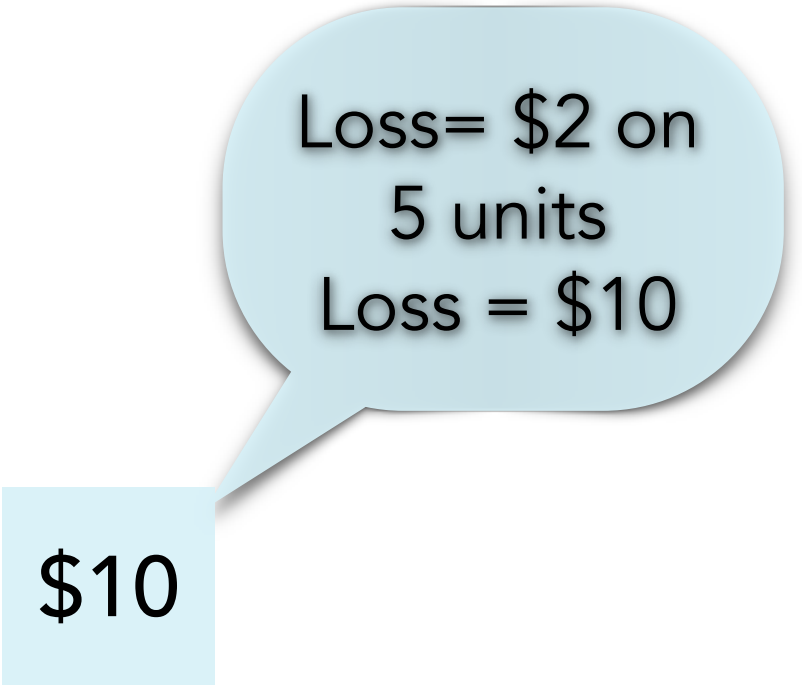
Price

Quantity

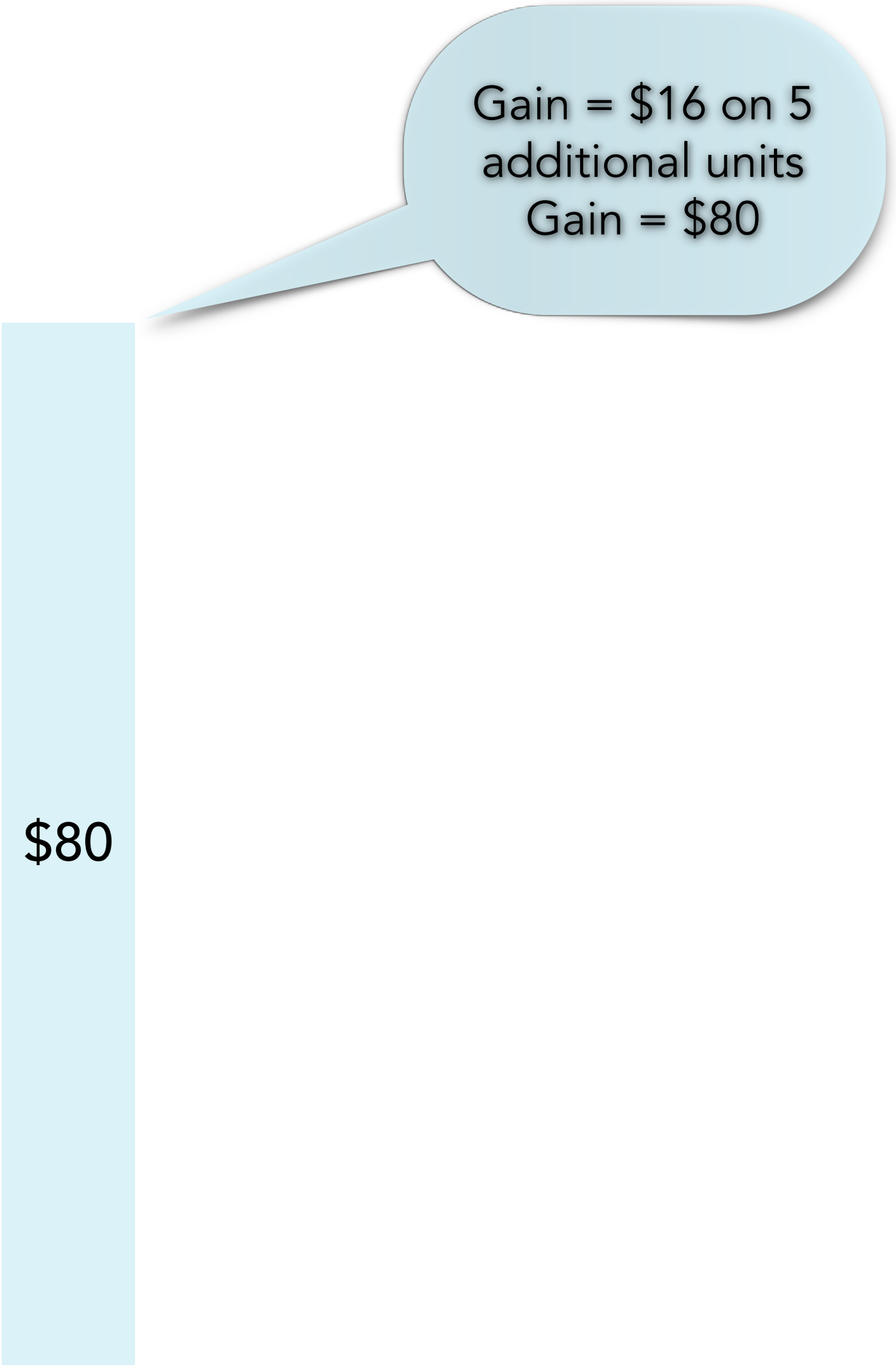
Monopolist can charge a price of $18/unit but it will only sell 5 units

If the monopolist wants to sell more units, it must decrease the price

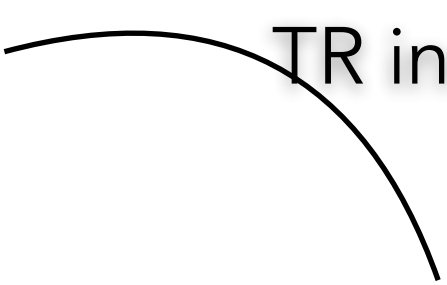
By lowering the price, the monopolist lose revenue because it sells at a lower price per unit


Loss= $2 on
5 units
Loss = $10
$10

By lowering the price, the monopolist gains revenue because it sells more units

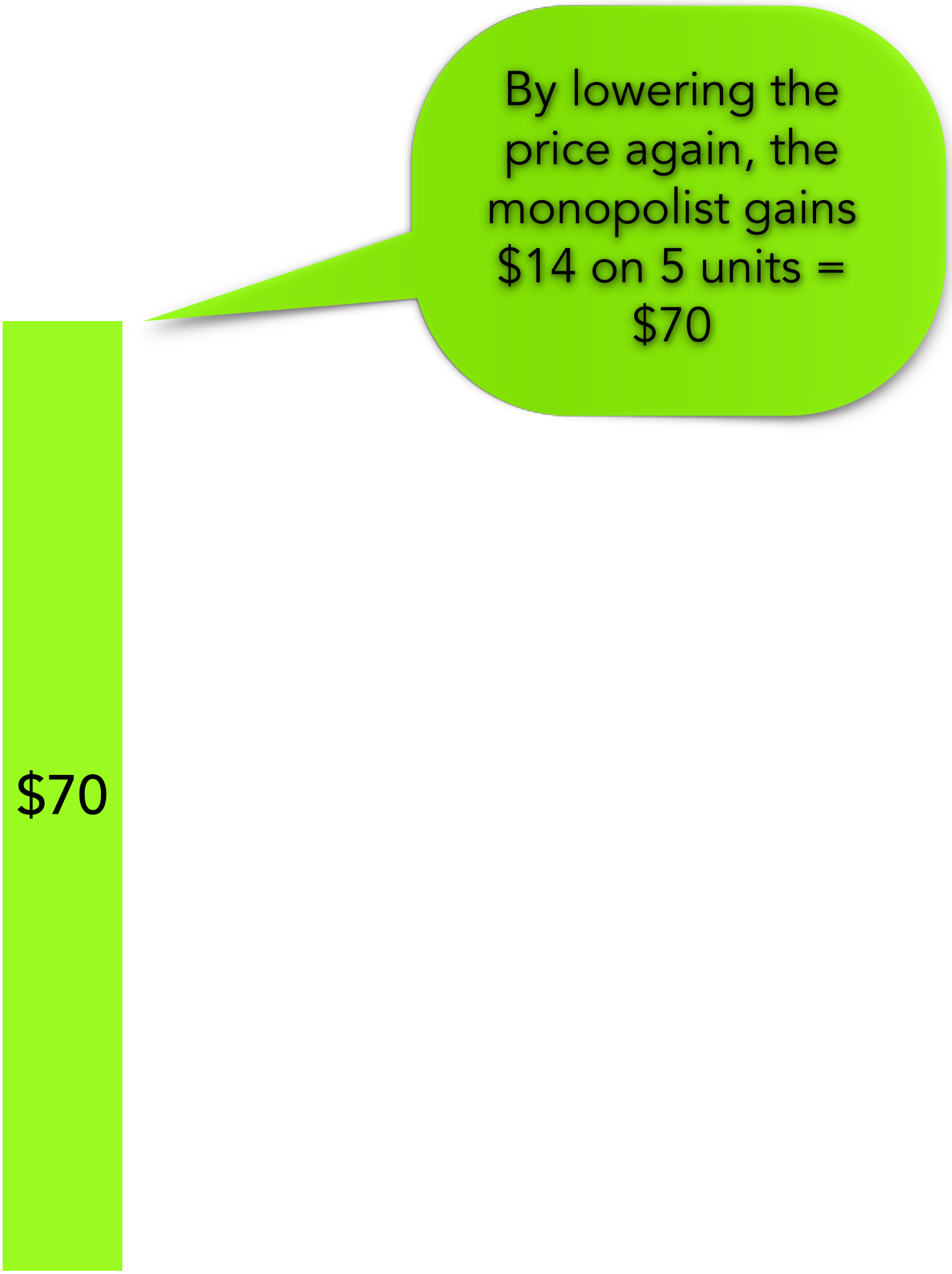

Gain = $16 on 5 additional units
Gain = $80
$80

Gain $80 Lose $10:
TR increase by $70

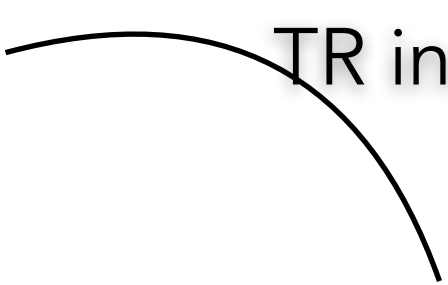


By lowering the price again, the monopolist lose $2 on10 units = $20

$20


By lowering the price again, the monopolist gains $14 on 5 units = $70
$70

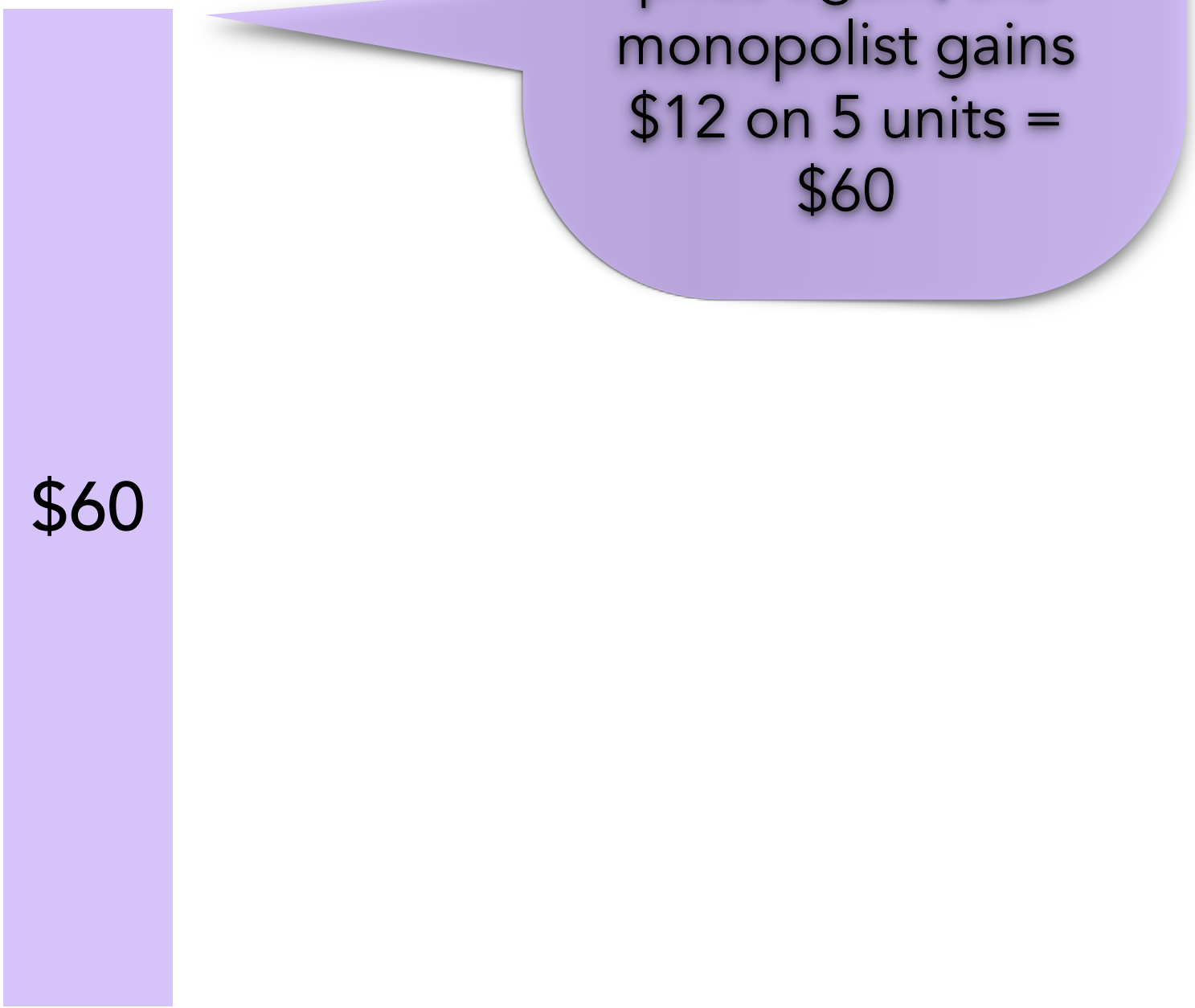
Gain $70 Lose $20:
TR increase by $50



A Monopolist can charge any price on the demand line…

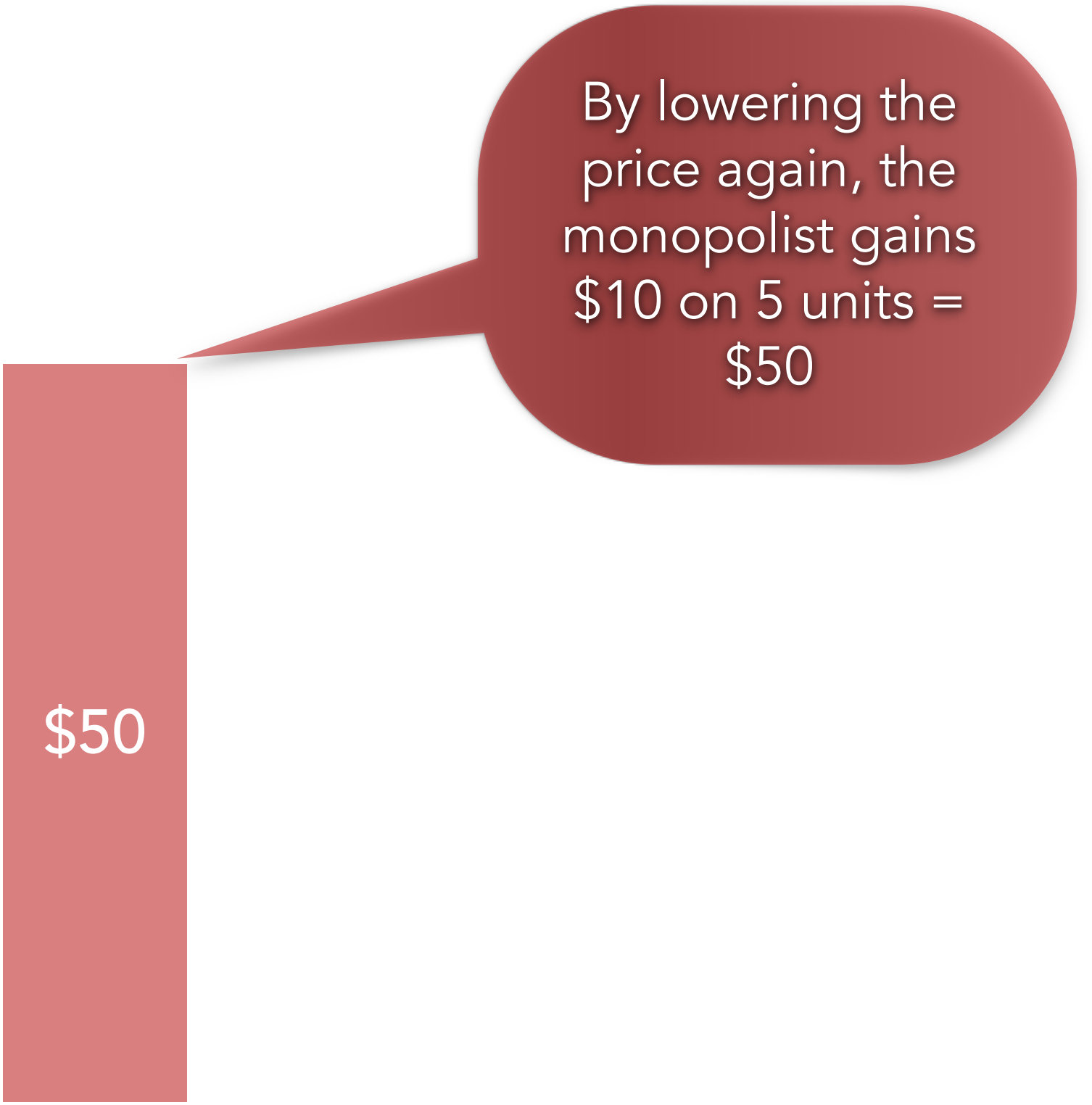
By lowering the price again, the monopolist lose $2 on 15 units = $30

$30


By lowering the price again, the monopolist gains $12 on 5 units = $60
$60

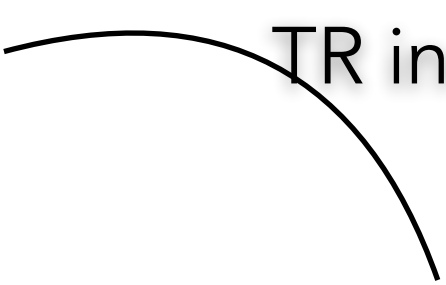
By lowering the price again, the monopolist lose $2 on 20 units = $40

$40


By lowering the price again, the monopolist gains $10 on 5 units = $50
$50

Gain $60 Lose $30:
TR increase by $30

Gain $50 Lose $40:
TR increase by $10

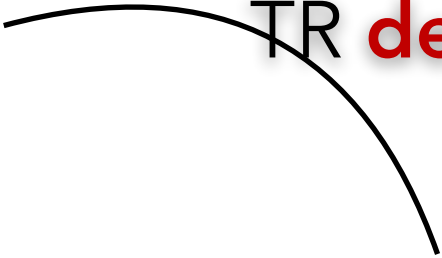


By lowering the price again, the monopolist lose $2 on 25 units = $50

$50


By lowering the price again, the monopolist gains $8 on 5 units = $40
$40

Gain $40 Lose $50:
TR **decrease** by $10

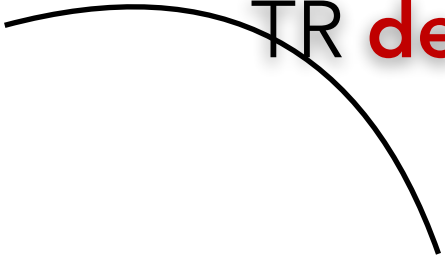


By lowering the price again, the monopolist lose $2 on 30 units = $60

$60

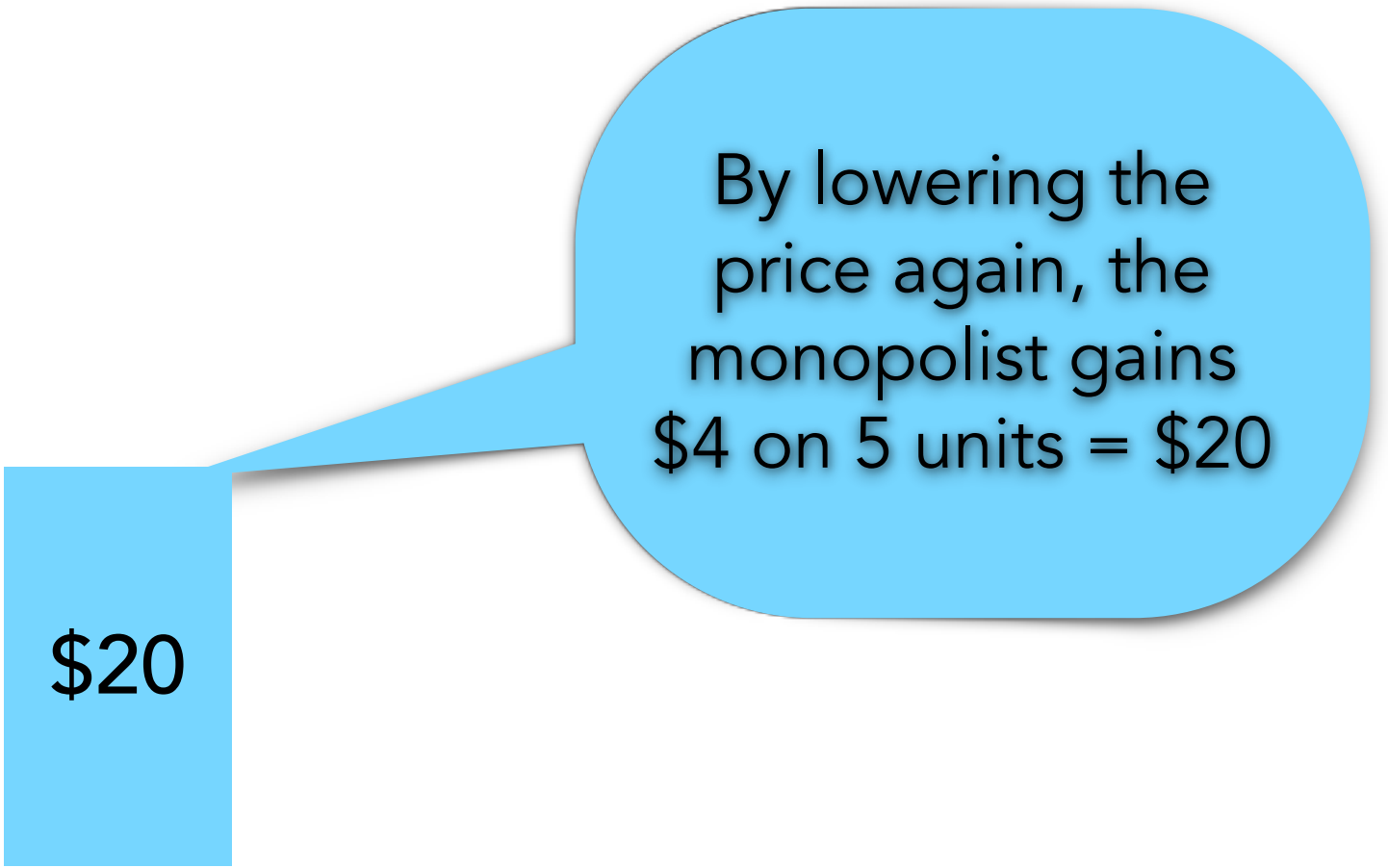

By lowering the price again, the monopolist gains $6 on 5 units = $30
$30

Gain $30 Lose $60:
TR **decrease** by $30

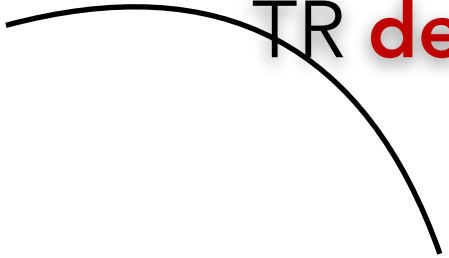


By lowering the price again, the monopolist lose $2 on 35 units = $70

$70

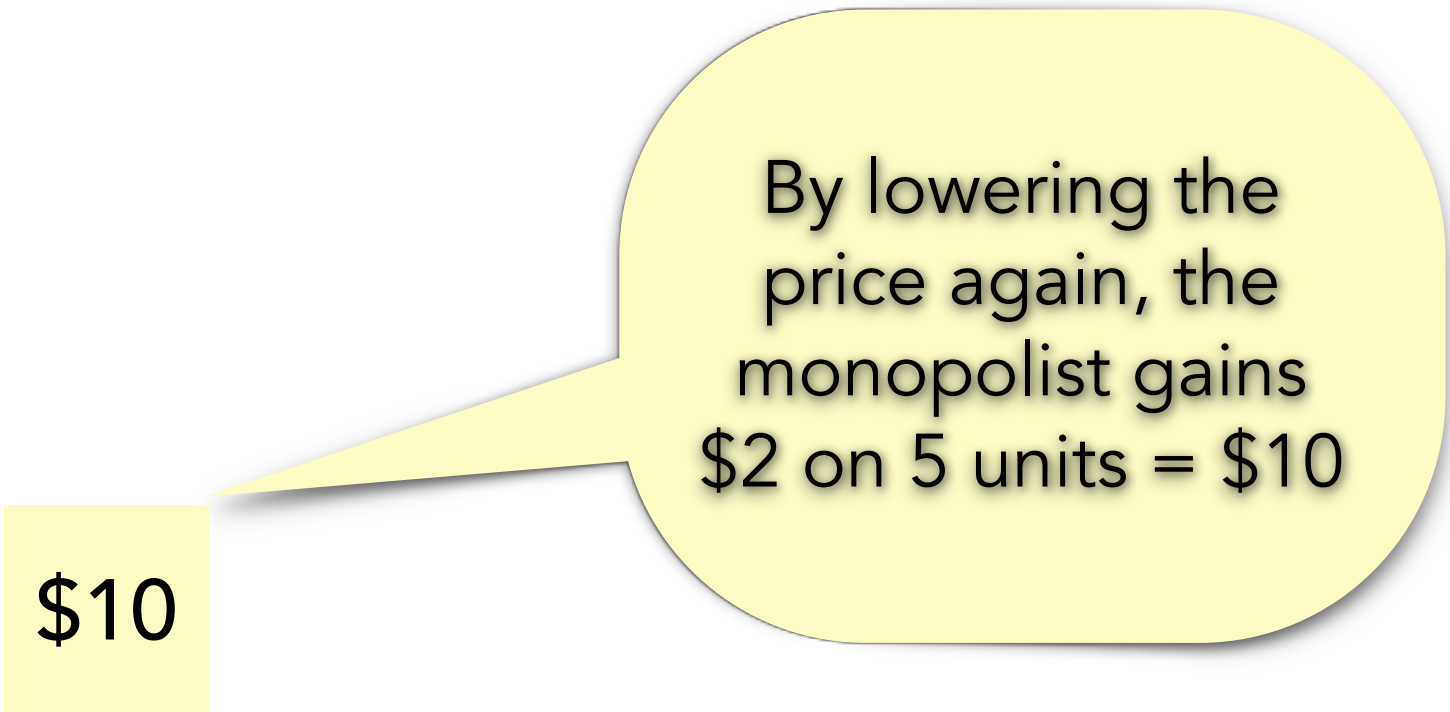

By lowering the price again, the monopolist gains $4 on 5 units = $20
$20

Gain $20 Lose $70:
TR **decrease** by $50

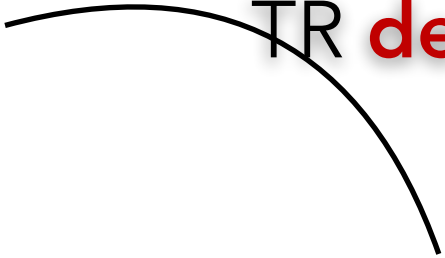


By lowering the price again, the monopolist lose $2 on 40 units = $80

$80


By lowering the price again, the monopolist gains $2 on 5 units = $10
$10

Gain $10 Lose $80:
TR **decrease** by $70

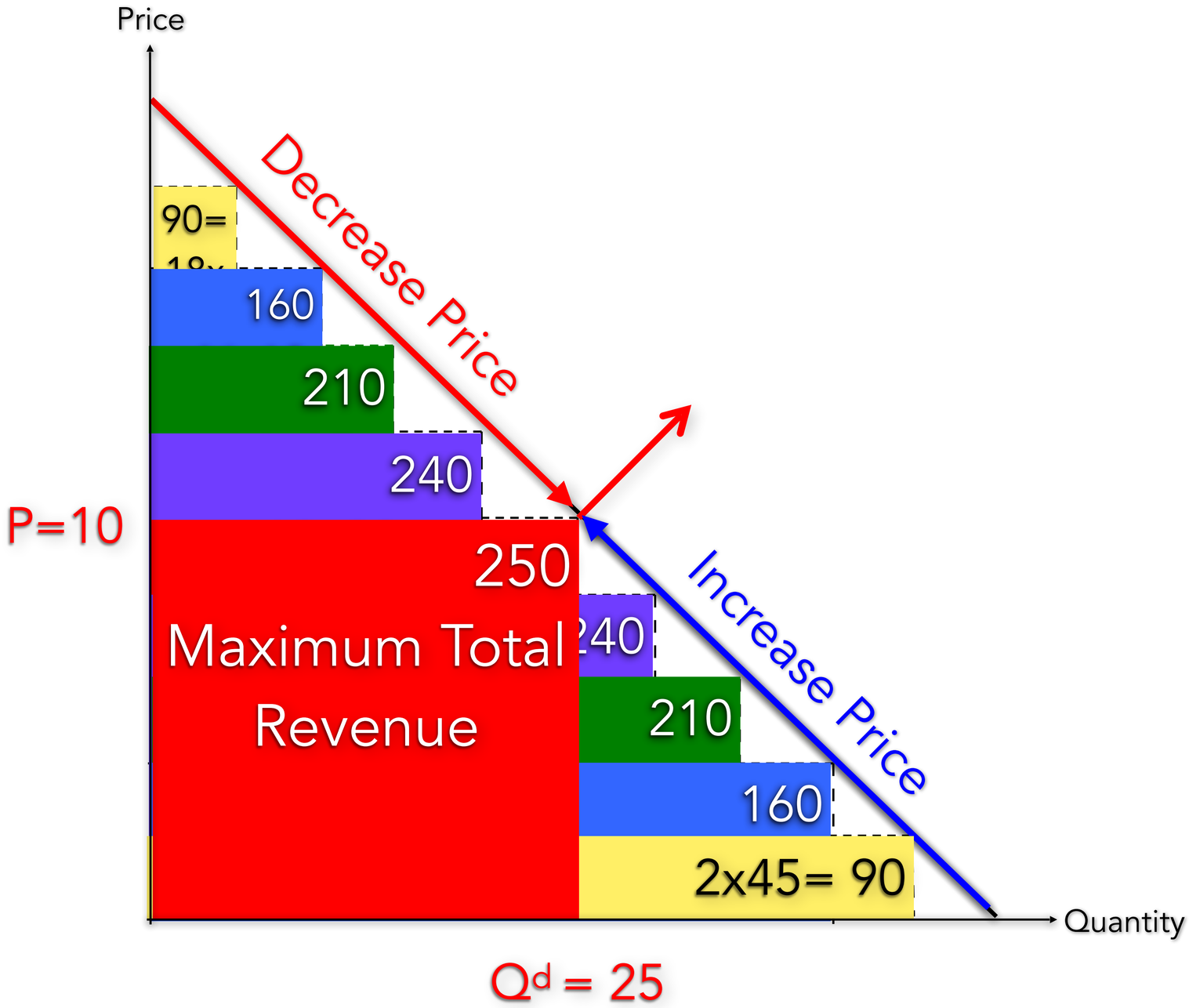


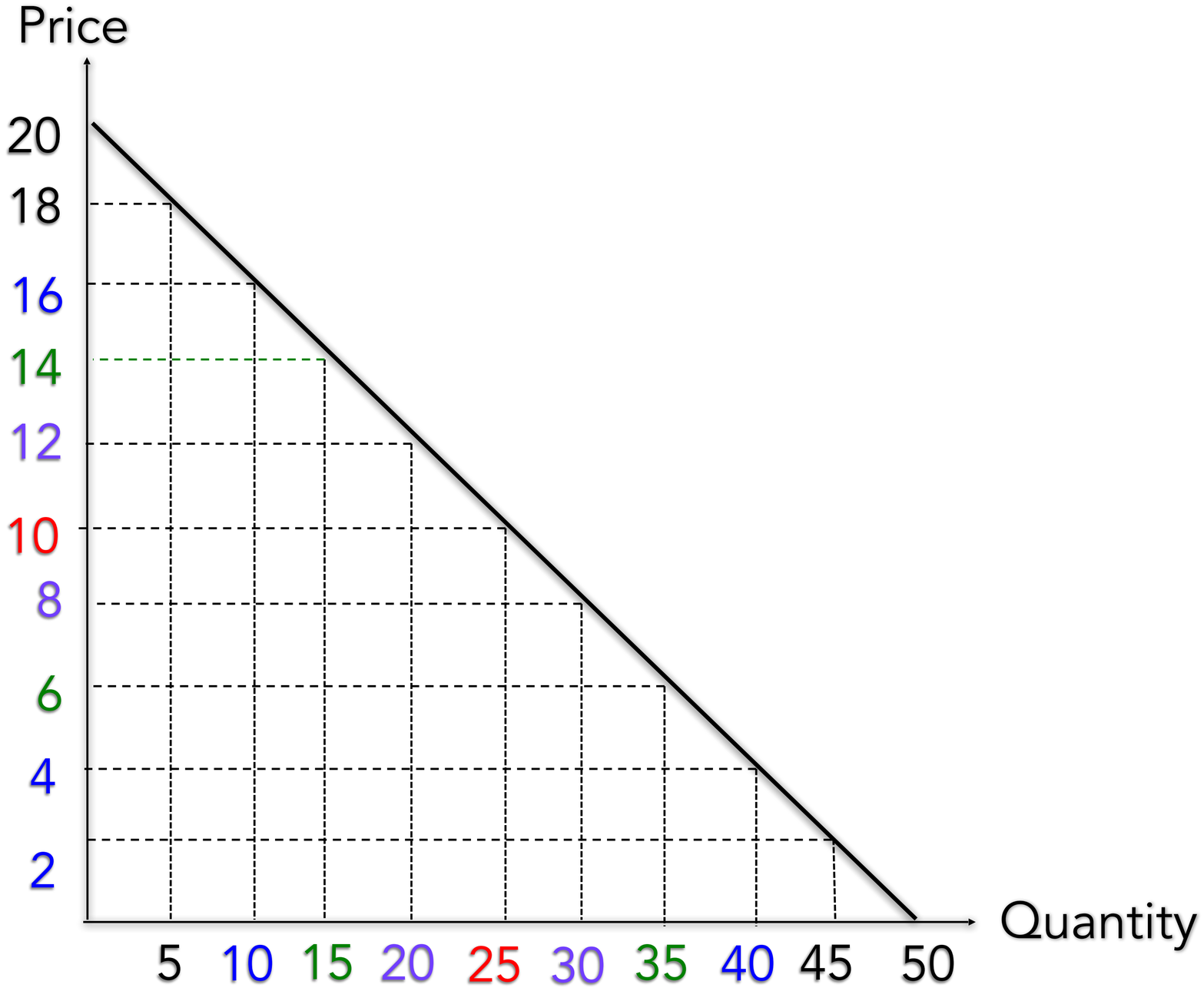
Total Revenue is maximum at the midpoint on the Market Demand

A Monopolist can charge any price on the demand line…

Total Revenue is maximum at the midpoint on the Market Demand

To increase Revenue:




Price
20
18
16
14
12
10
8
6
4
2
5
10
15
20
25
30
35
40
45
50
Quantity