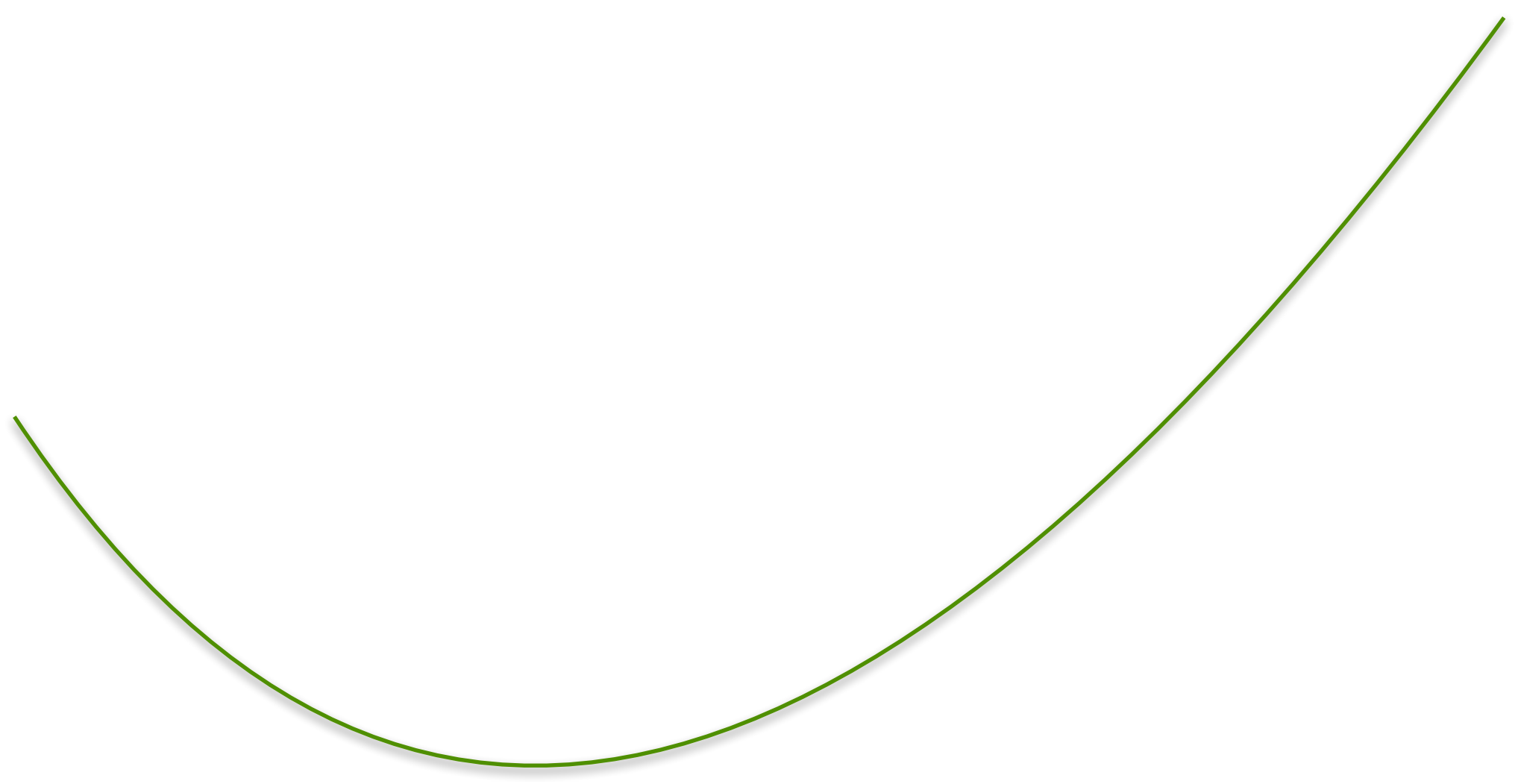


MC

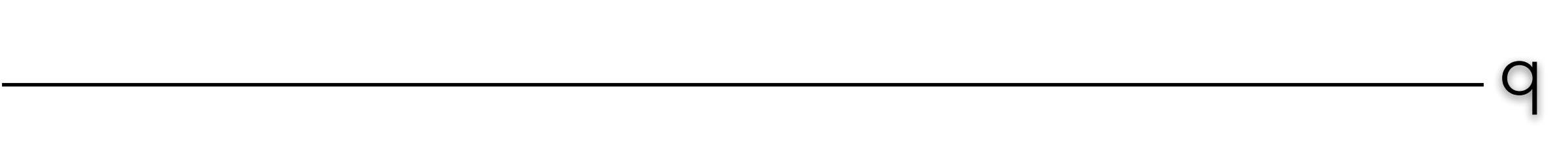


MR





/P



Total Profit is
maximum

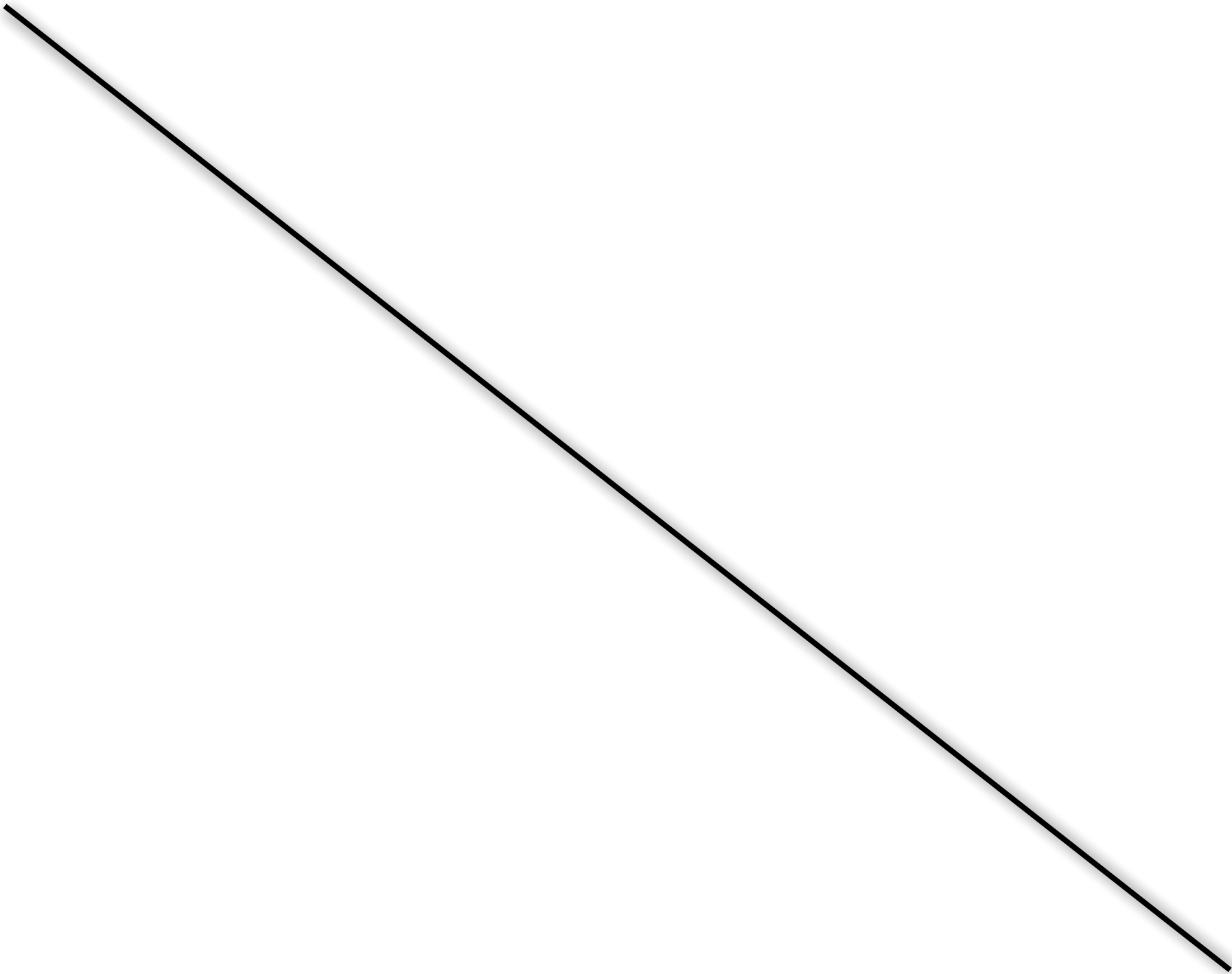
when

$$MC = MR$$



90

To Maximize
Profit, the
Monopolist must
produce q_0



D

MC

=

MR



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Price







In order to sell q_0
units, the
monopolist must
charge this price

M



n



p







e

S





S



b

e



a

u





h





e

a





b

a







e

S





n



Y





n





Y



n







h

e





d

u

S





Y



S





S





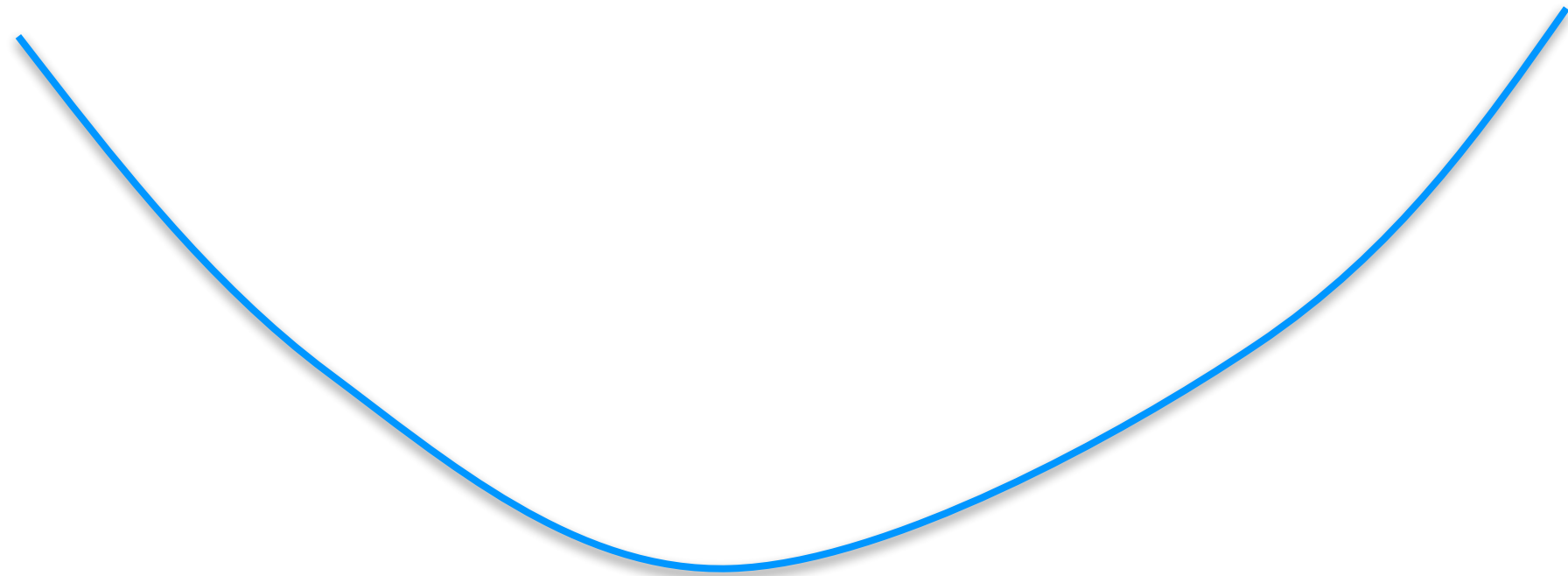






d

ATC

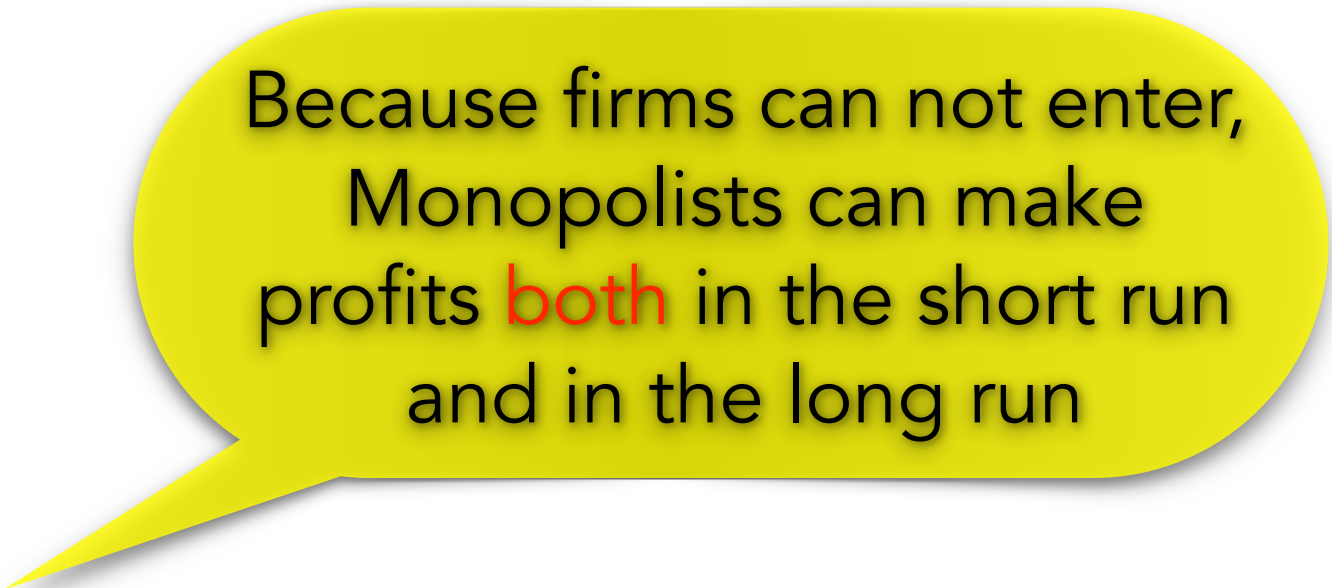




TC

TR

Profit

A yellow speech bubble with a black outline and a drop shadow, pointing towards the bottom-left. It contains text about monopolists.

Because firms can not enter,
Monopolists can make
profits **both** in the short run
and in the long run

ATC



Monopolist should
produce q_0 both in
the short run and
in the long run

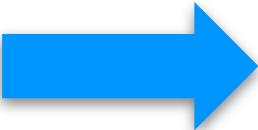
P

>

A

T

C



Monopolist makes a Profit

$P \times q \geq ATC \times q$

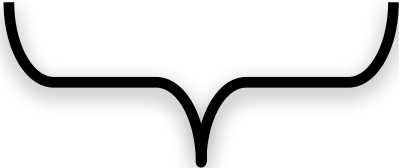




TR

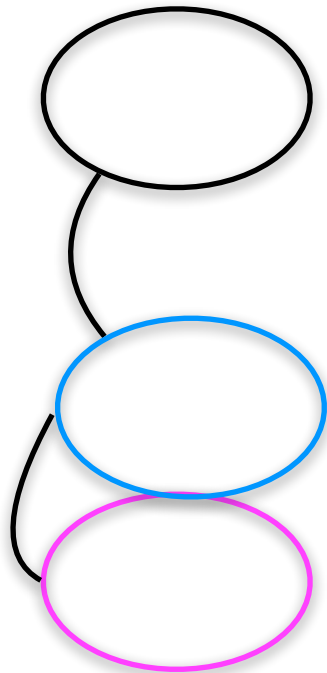
>

TC

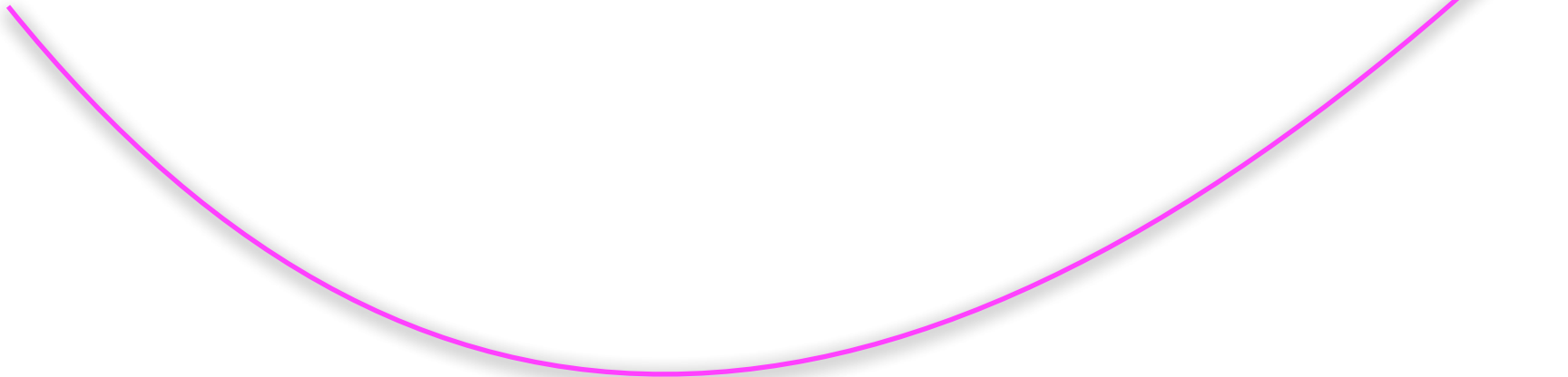


if

Price is larger
than the **ATC**
and larger
than the **AVC**



AVC



AVC



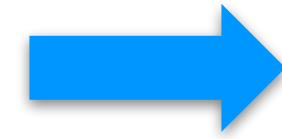
VC

MC

Monopolies exist because there are barriers to entry:

entry into the industry is restricted

If $P > ATC$

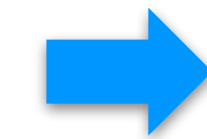


$$\underbrace{P \times q}_{TR} > \underbrace{ATC \times q}_{TC}$$

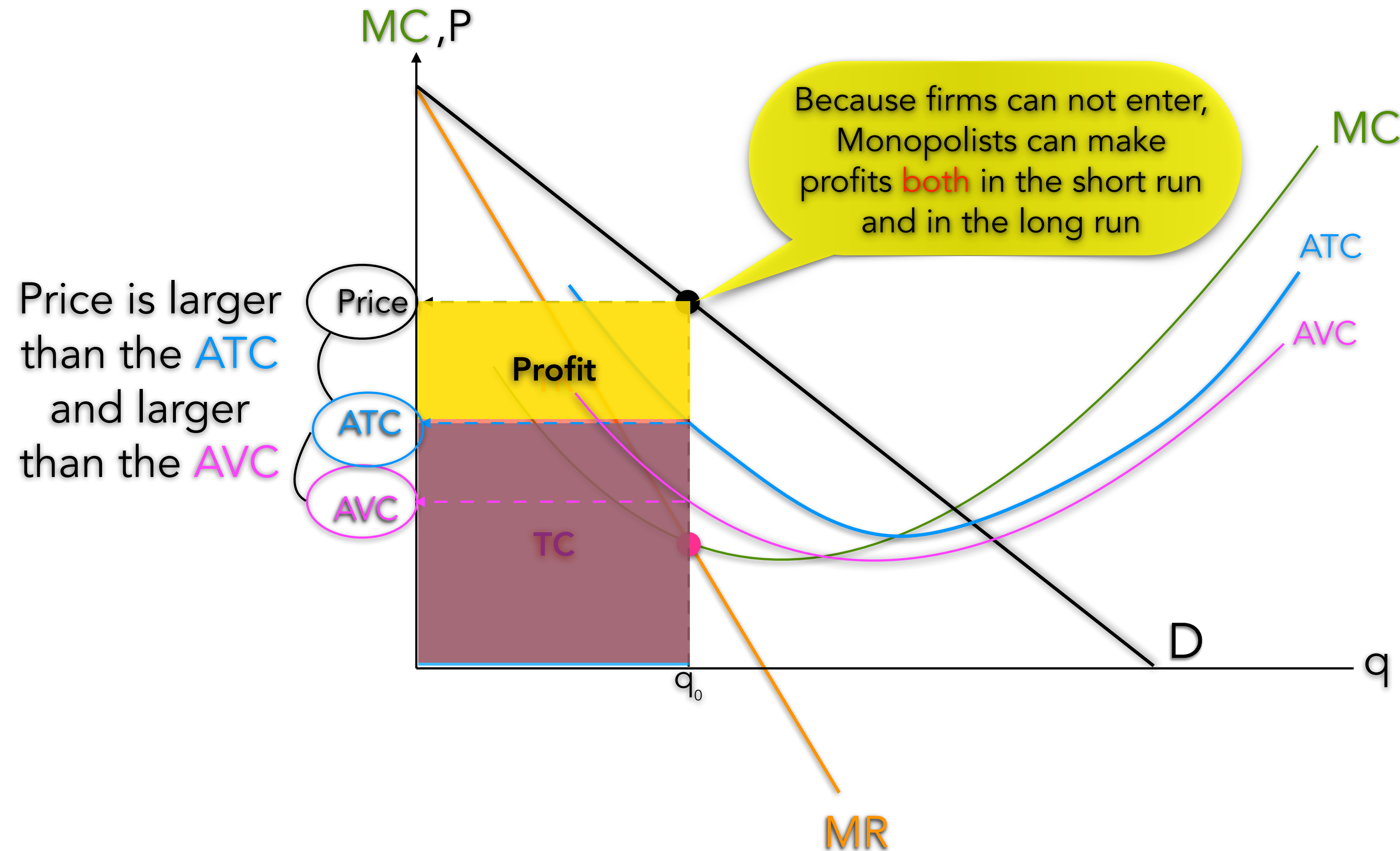
TR

>

TC



Monopolist makes a Profit



Monopolist should produce q_0 both in the short run and in the long run

