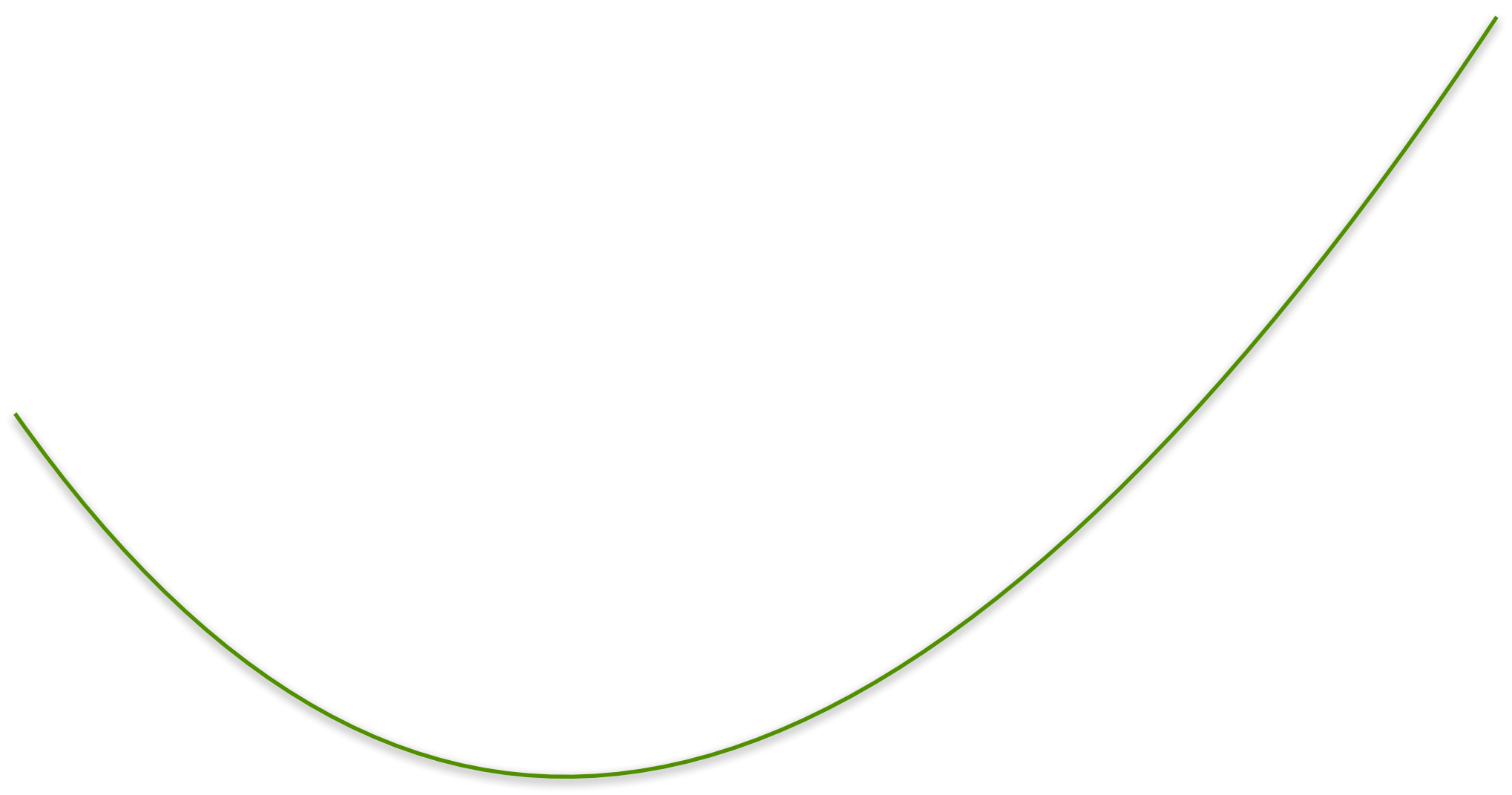




MC

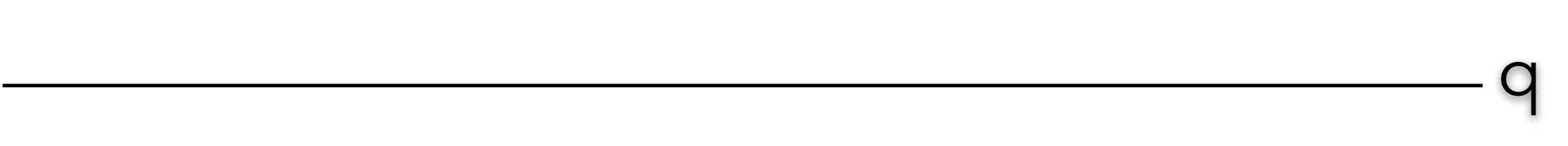


MR





**/P**



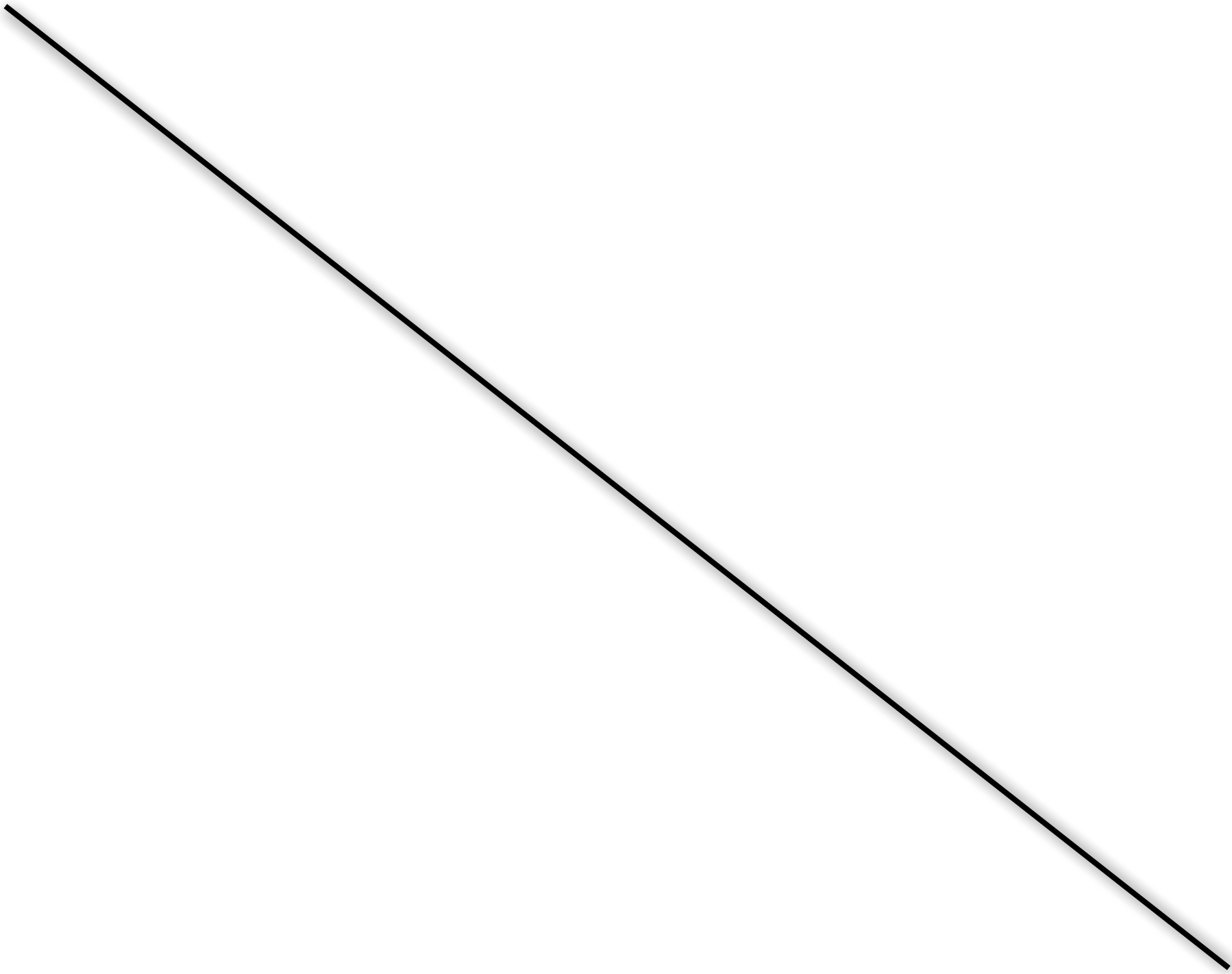
Total Profit is  
maximum or  
losses are  
minimum  
when  
 $MC = MR$





90

To Maximize Profit, or  
minimize the loss, the  
Monopolist must  
produce  $q_0$





MC

=

MR



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Price



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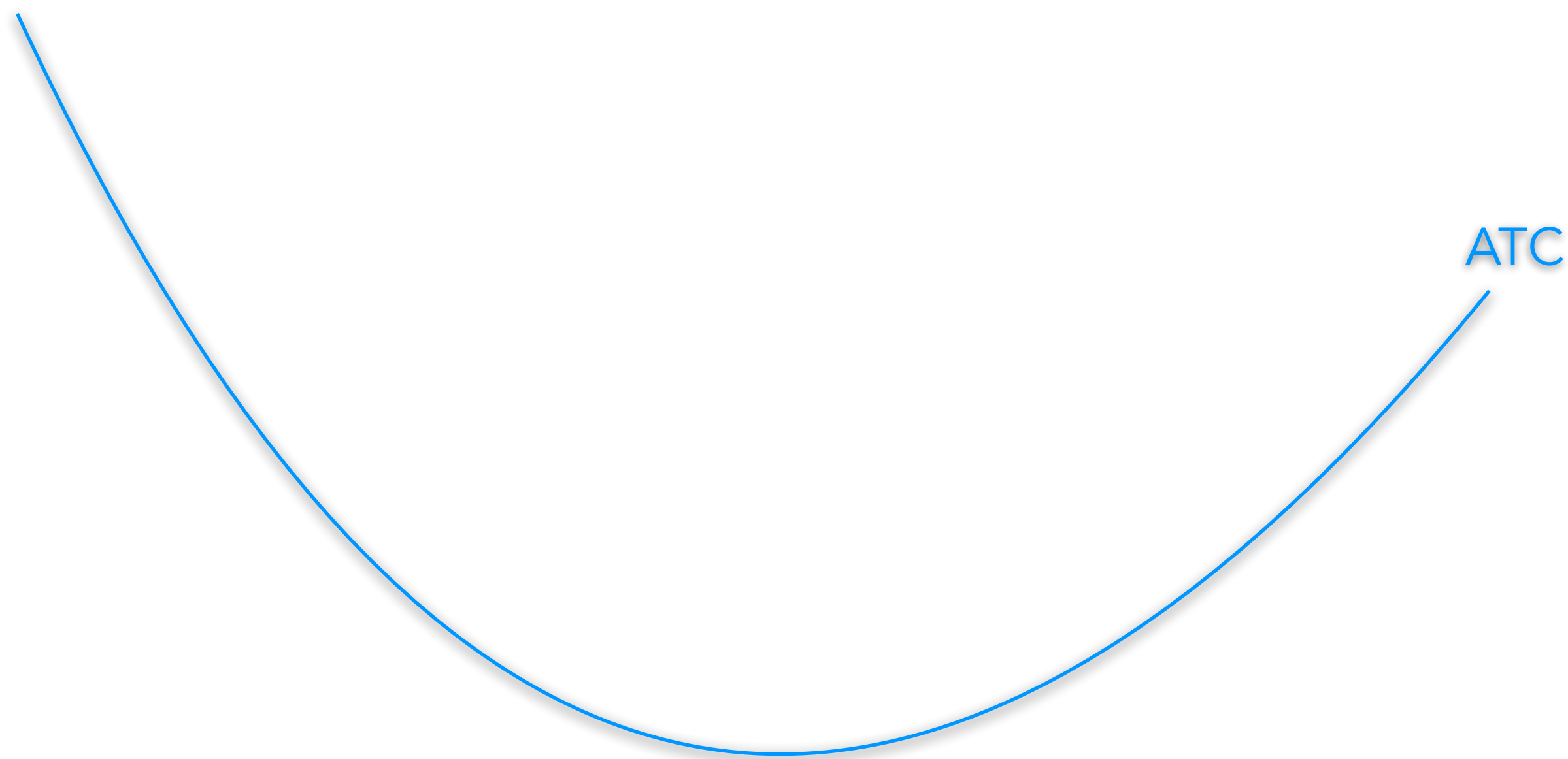
—







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





TC

VC

**FC**

TR

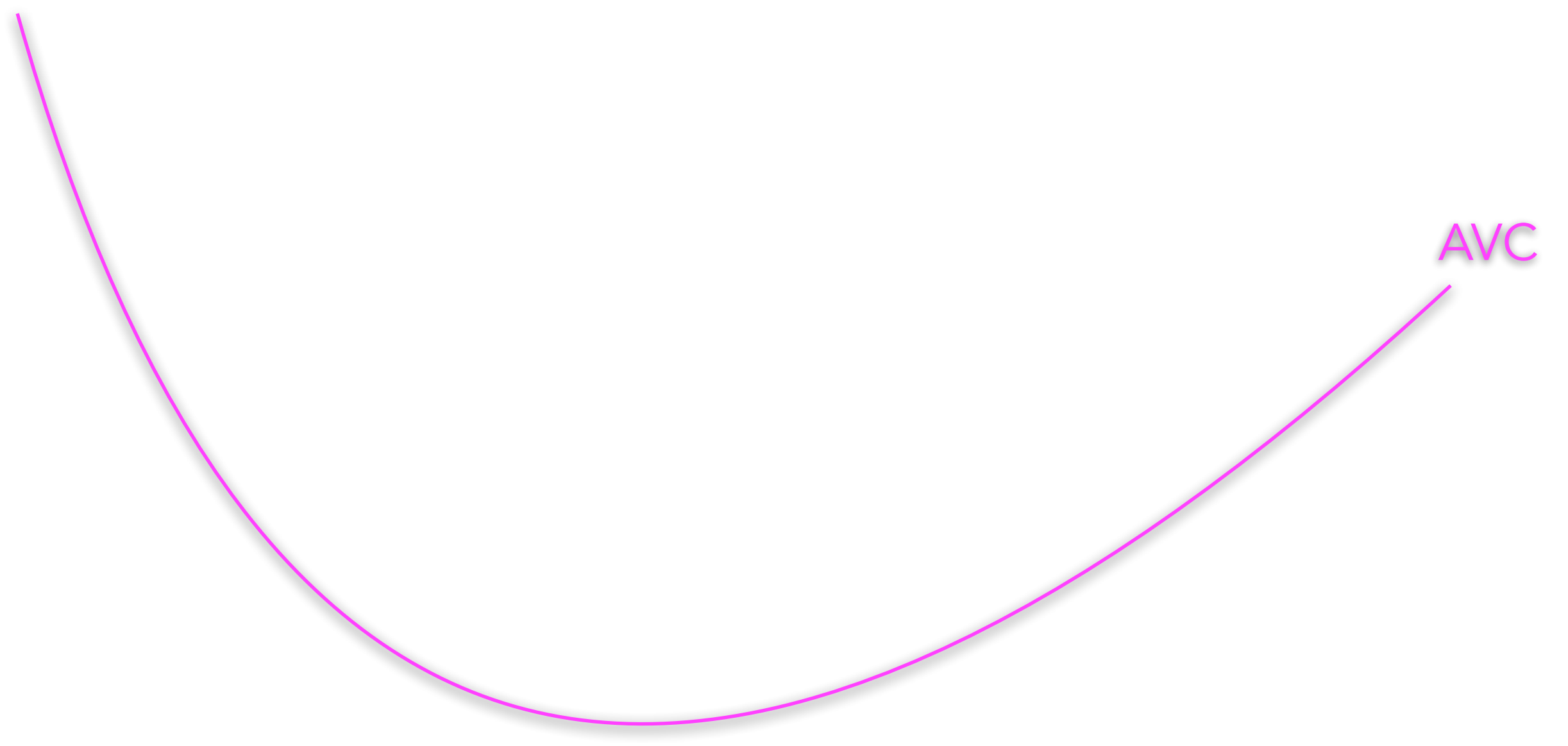
ATC





AVC=





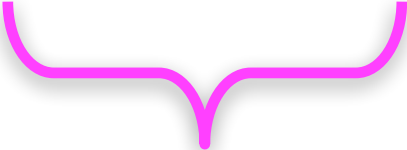
Monopolist is  
indifferent between  
producing and  
shutting down in the  
**short run**

If Demand does not  
increase (shift right),  
the Monopolist will  
**exit** in the **long run**

AVC = P < ATC



$$AVC \times q = P \times q \leq ATC \times q$$



VC

=

TR

<

TC







Monopolist incurs a loss  
equal to the FC



**Loss**



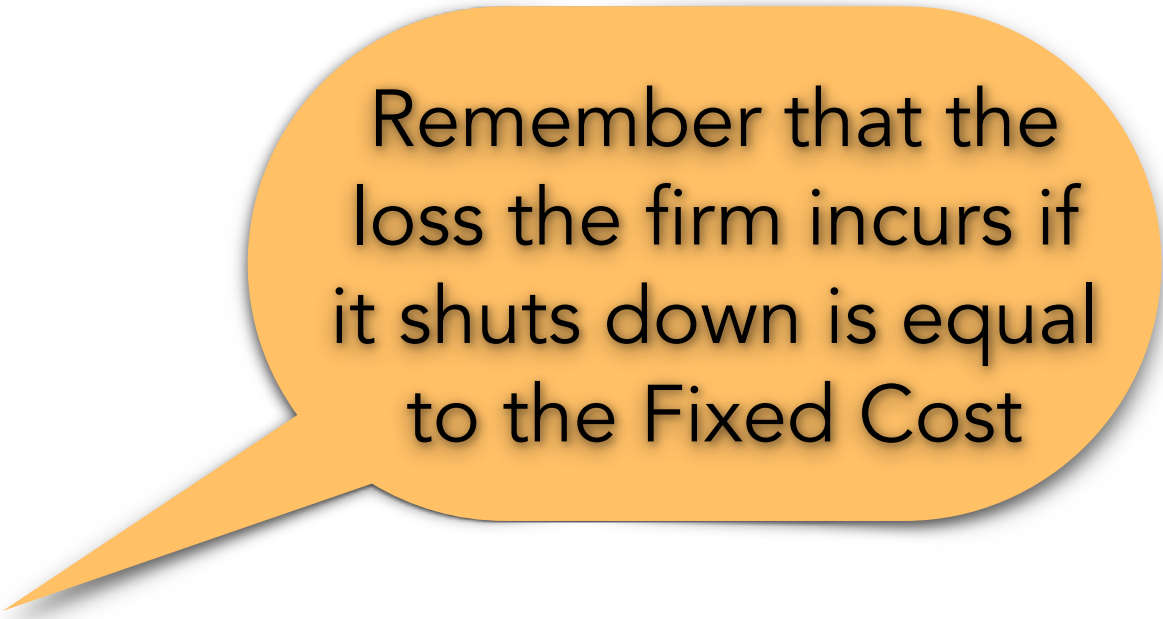








FC

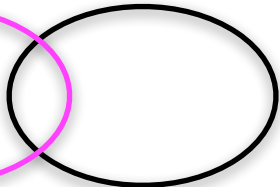
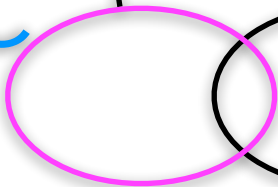
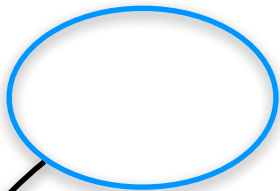
An orange speech bubble with a tail pointing towards the bottom-left corner. The bubble has a slight drop shadow.

Remember that the  
loss the firm incurs if  
it shuts down is equal  
to the Fixed Cost

If Loss incurred by producing is **equal to** the Fixed Cost the firm is **indifferent** between producing and shutting down

1 f

Price is equal  
to the **AVC**  
but less than  
the **ATC**



MC

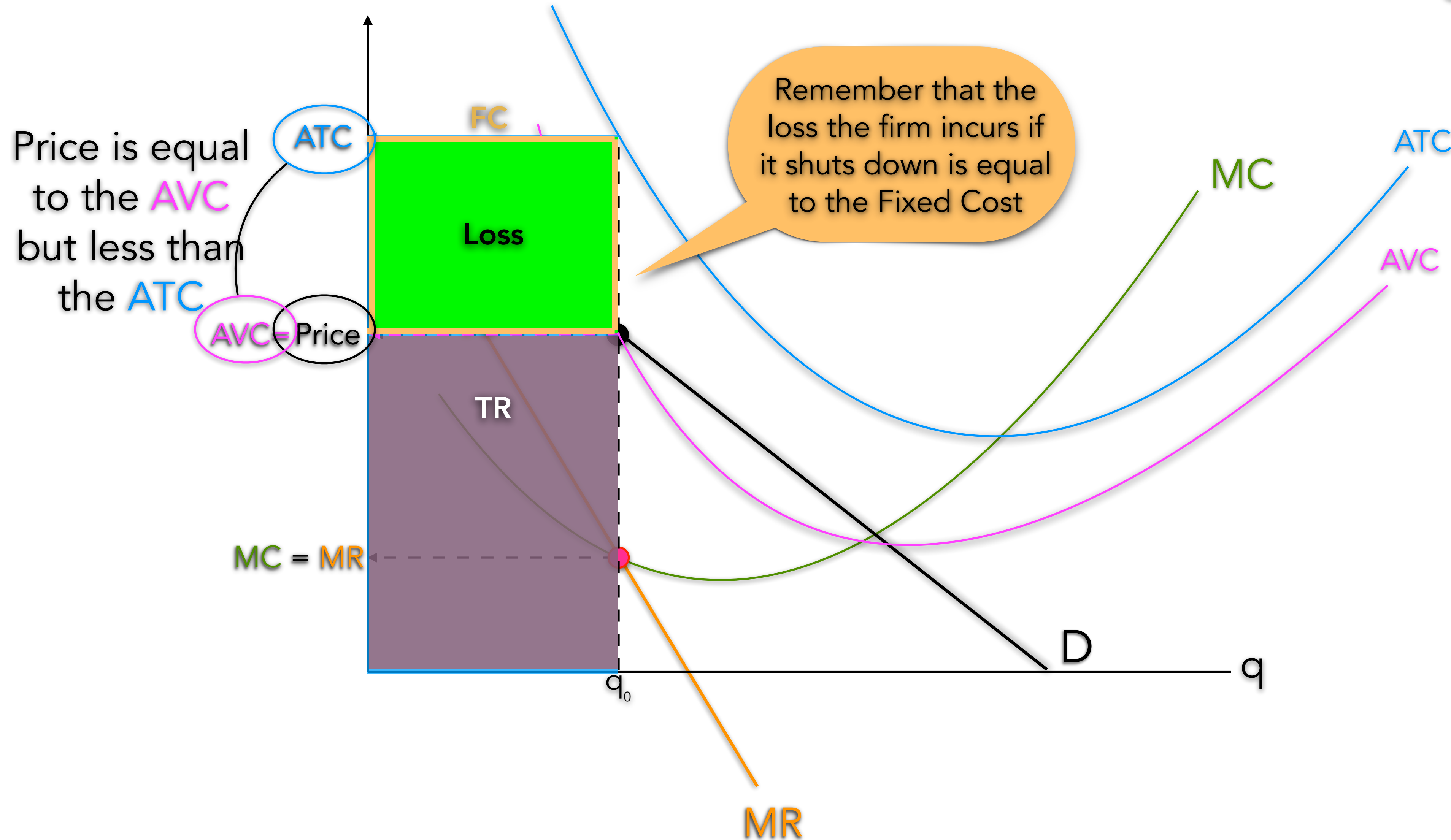
If  $AVC = P < ATC$



$$\underbrace{AVC \times q}_{VC} = \underbrace{P \times q}_{TR} < \underbrace{ATC \times q}_{TC}$$



Monopolist incurs a loss  
**equal** to the FC



Monopolist is indifferent between producing and shutting down in the **short run**

If Demand does not increase (shift right), the Monopolist will **exit** in the **long run**



