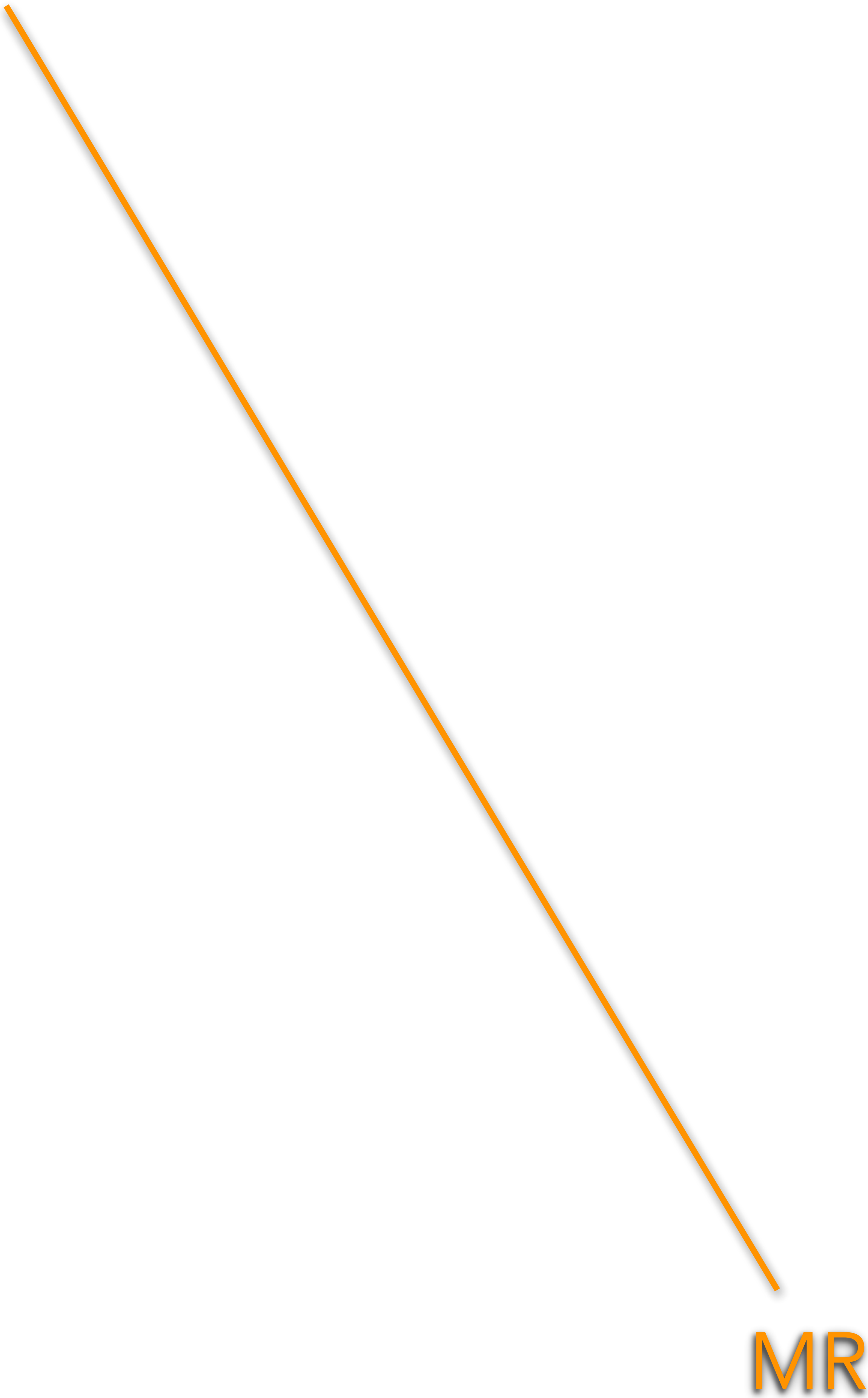
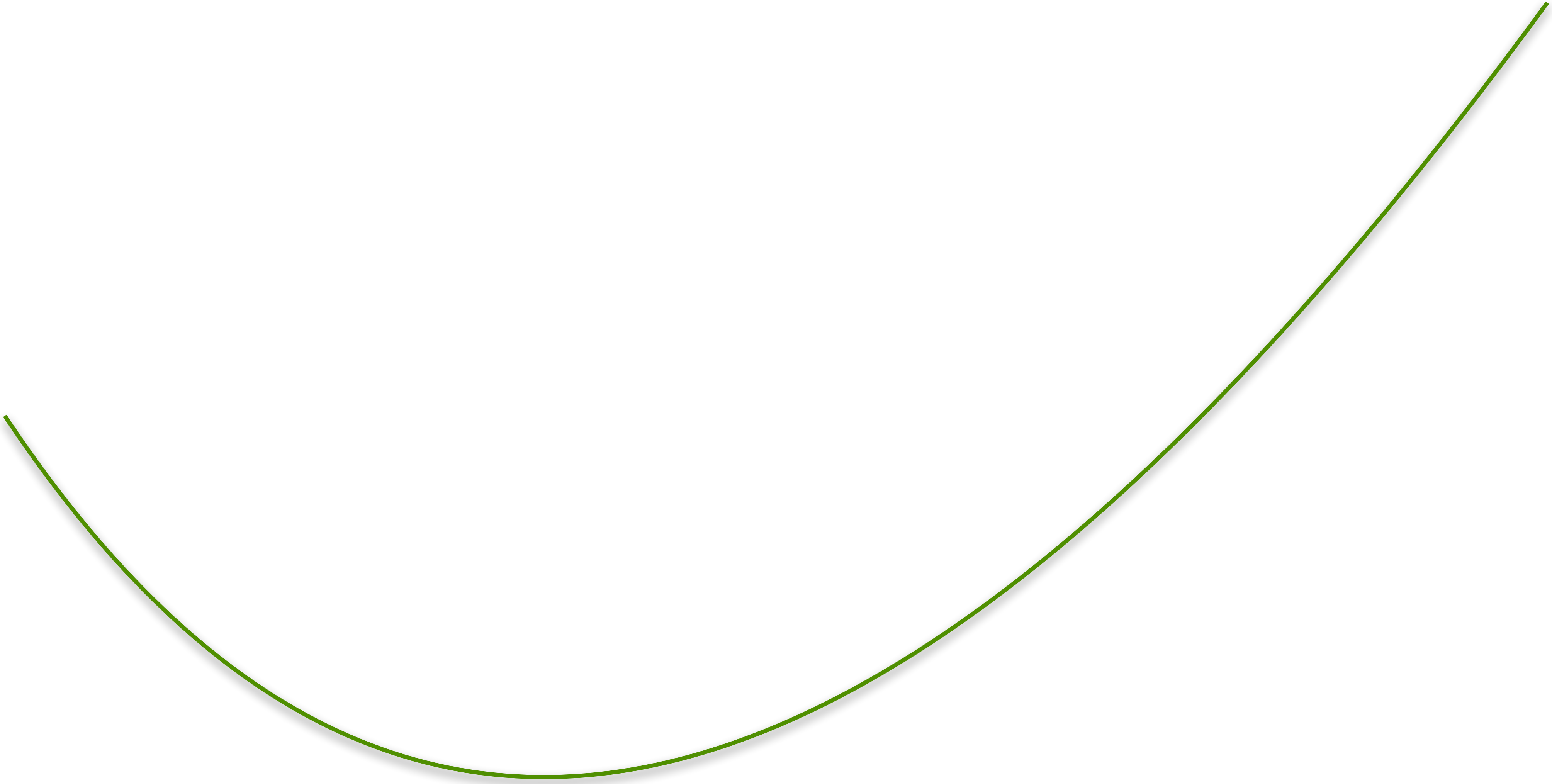
MC


MR



MC

,P

q

Total Profit is maximum or losses are minimum when

MC = MR

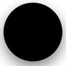
q_0

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

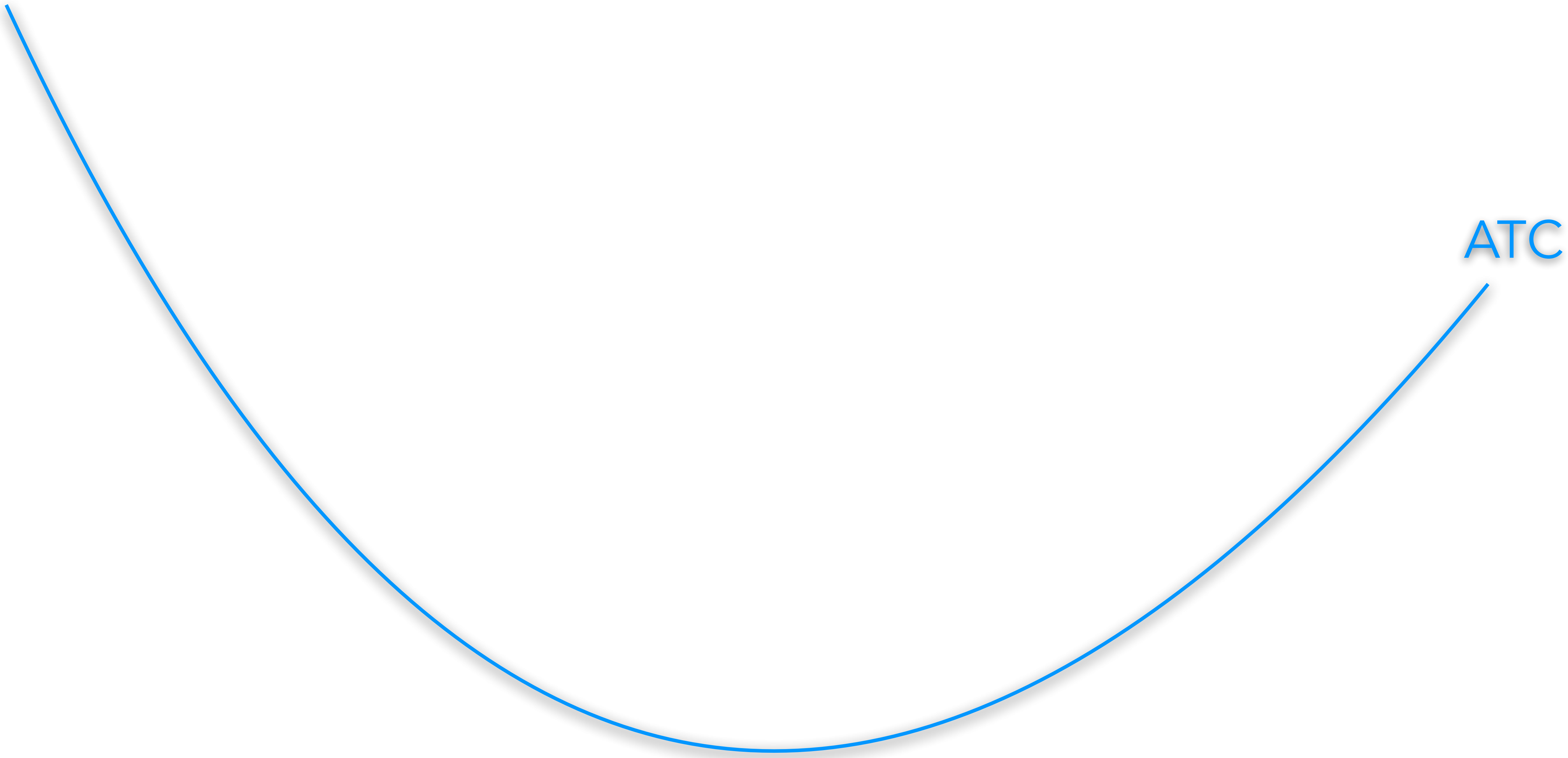
D

$$MC = MR$$

Price



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


ATC

TC

VC

FC

TR

ATC =

AVC

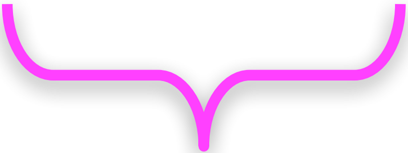

AVC

Monopolist should Produce q in the short run

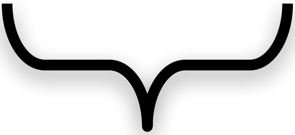
If Demand does not increase (shift right), the Monopolist is **indifferent** between exiting and producing in the long run because it makes a zero economic profit either way

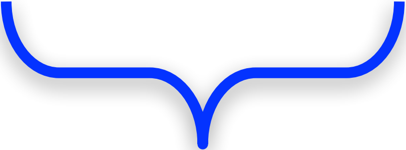
$$AVC < P = ATC$$

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



$$VC < TR = TC$$





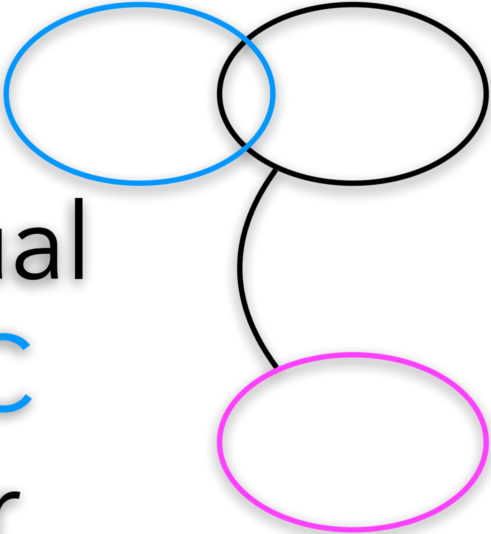
Monopolist incurs a loss (zero)
smaller than the FC

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

If TR = TC the loss incurred by producing is **zero**

If

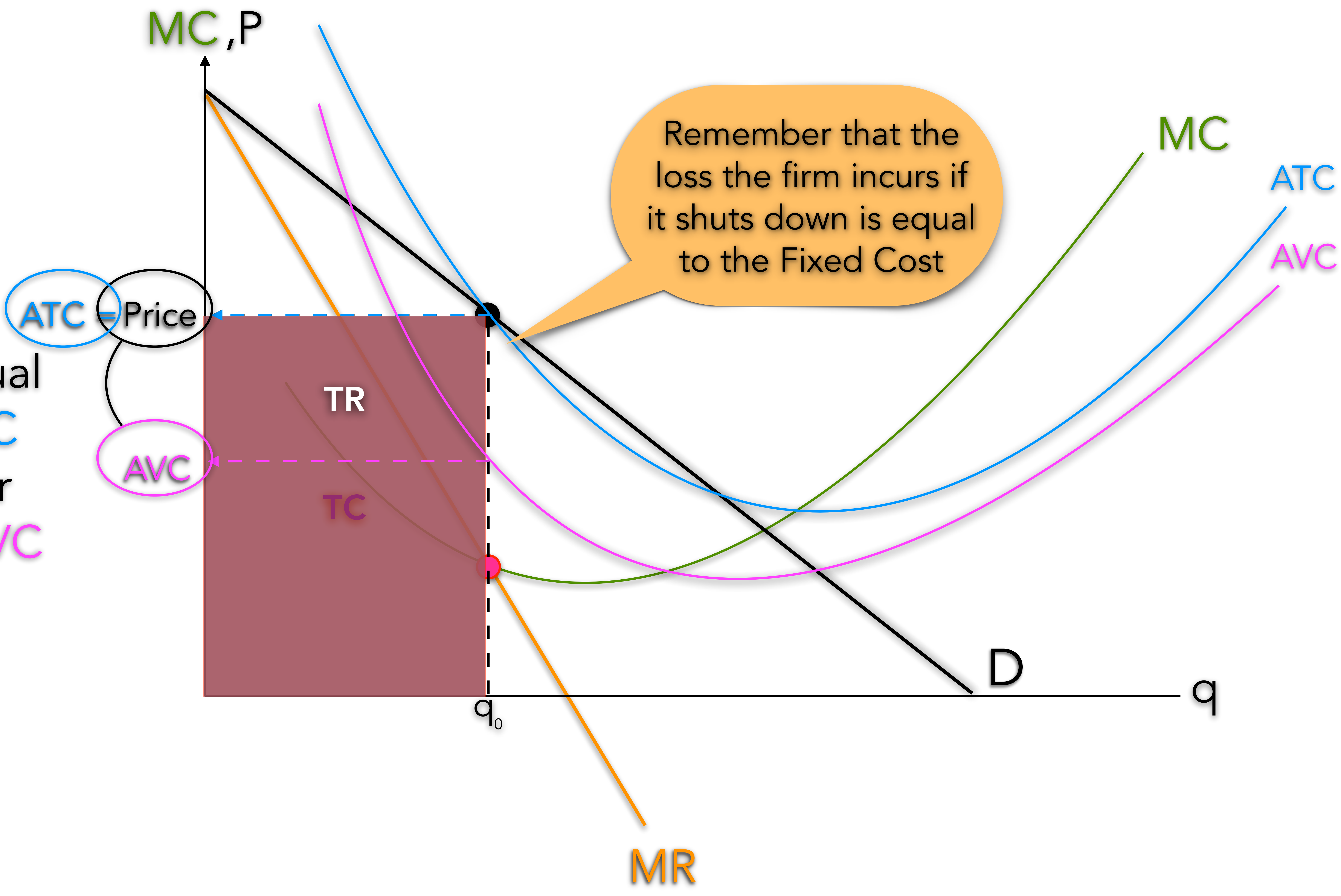
Price is equal to the ATC and larger than the AVC



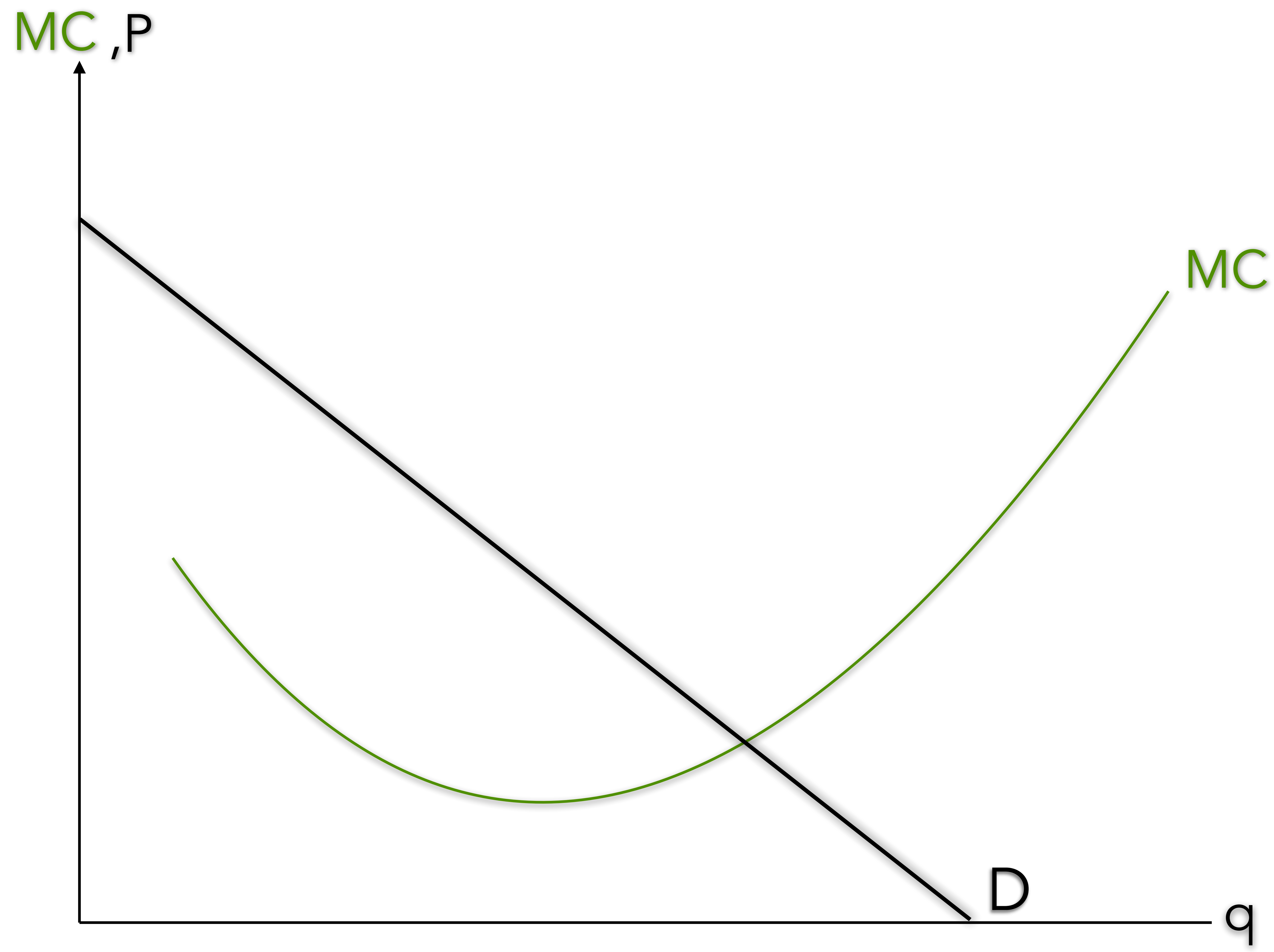
If $AVC < P = ATC$ → $\underbrace{AVC \times q}_{VC} < \underbrace{P \times q}_{TR} = \underbrace{ATC \times q}_{TC}$ → Monopolist incurs a loss (zero) smaller than the FC

Monopolist should Produce q in the short run

Price is equal to the ATC and larger than the AVC



If Demand does not increase (shift right), the Monopolist is **indifferent** between exiting and producing in the long run because it makes a zero economic profit either way


MC ,P
MC
D
q