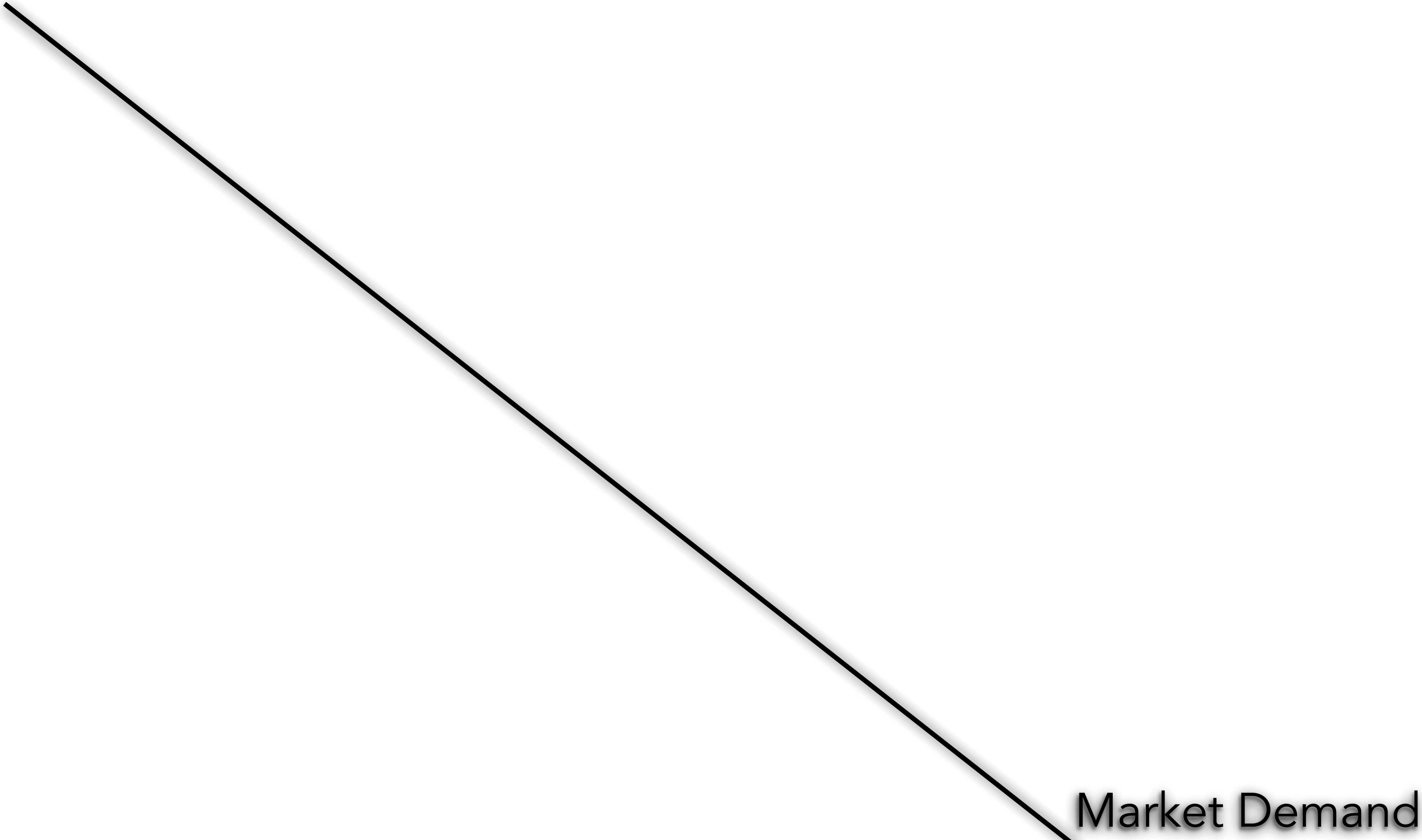
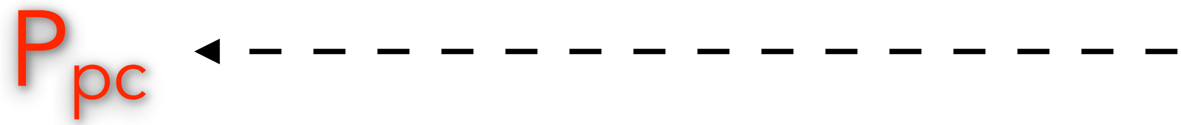
Q

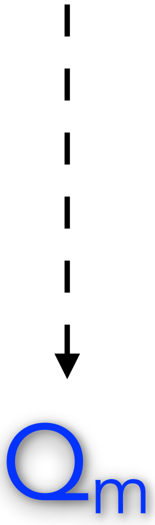

Market Demand

P

Market Supply

Suppose that all these perfectly competitive producers are bought by a Monopoly


P_{pc}


Q_m

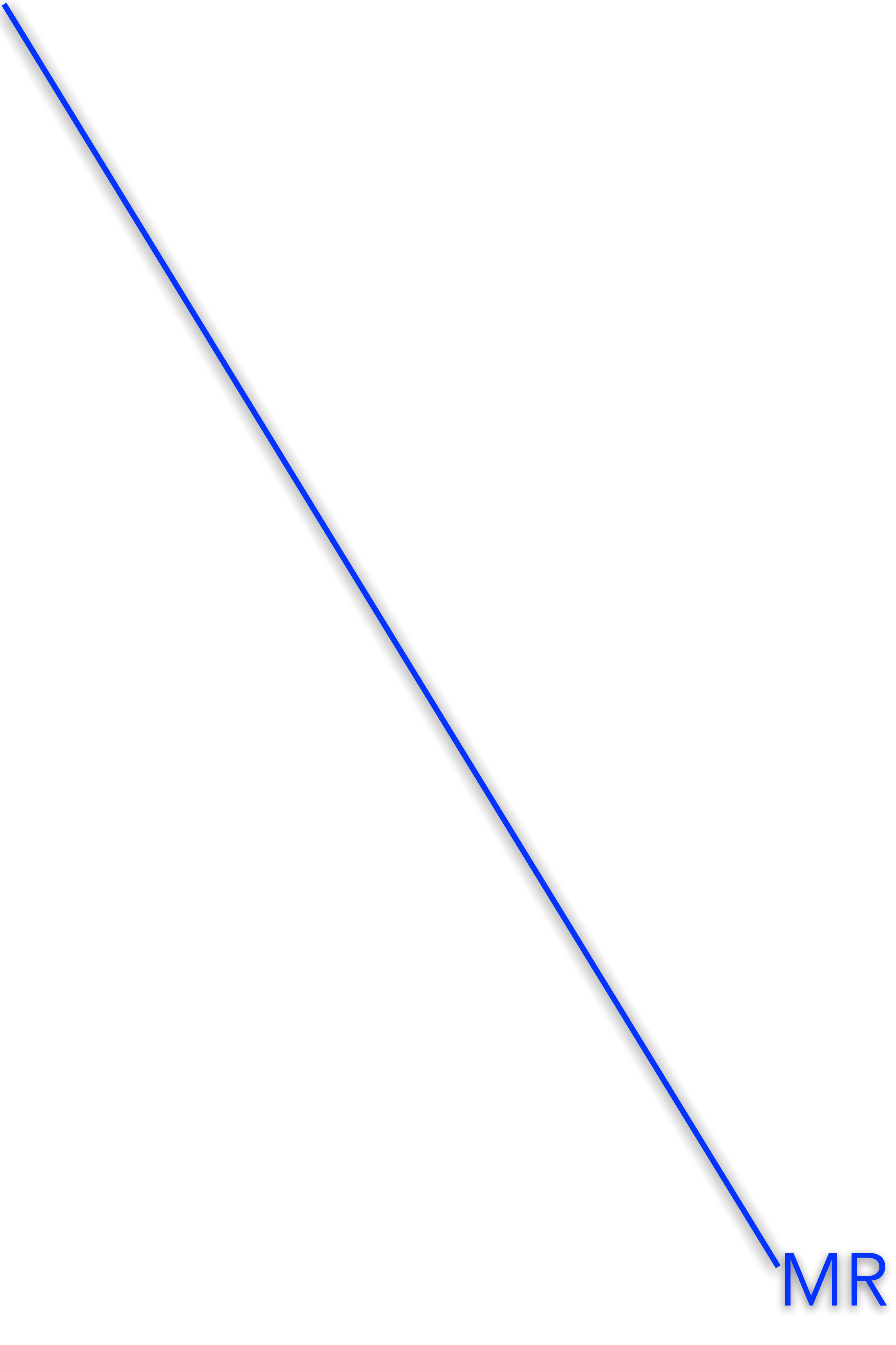
This is the price consumers will pay under Perfect Competition

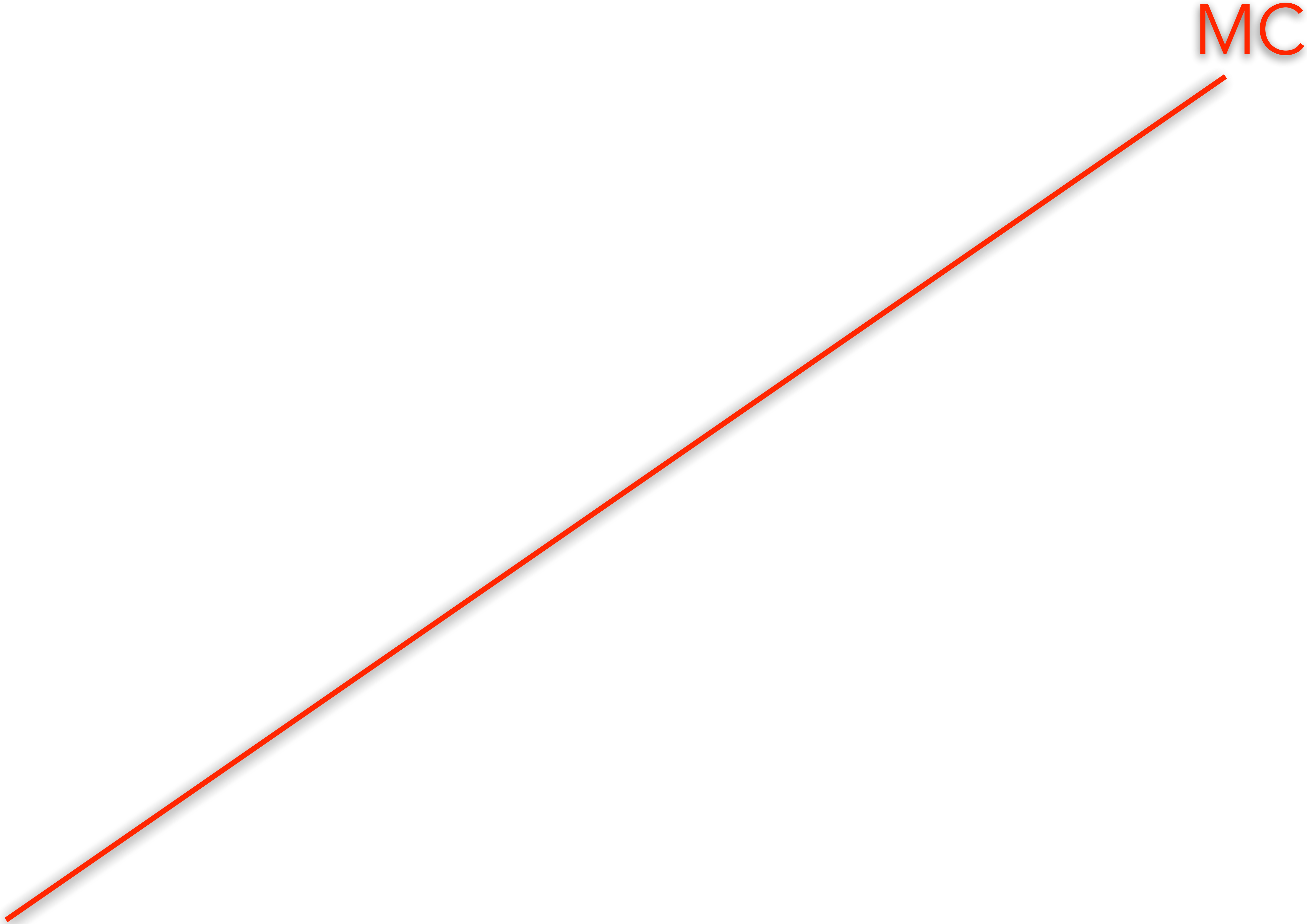
This is the total number of units bought and sold under Perfect Competition

The Market Supply is the sum of the individual Marginal Cost lines

The Market Supply is the Monopolist's Marginal Cost

Monopolists choose output to maximize profit where MC = MR


MR


MC

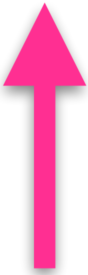
Q_{pc}

$$MR = MC$$

This is the total number of units bought and sold under Monopoly

This is the price consumers will pay under Monopoly

P_m

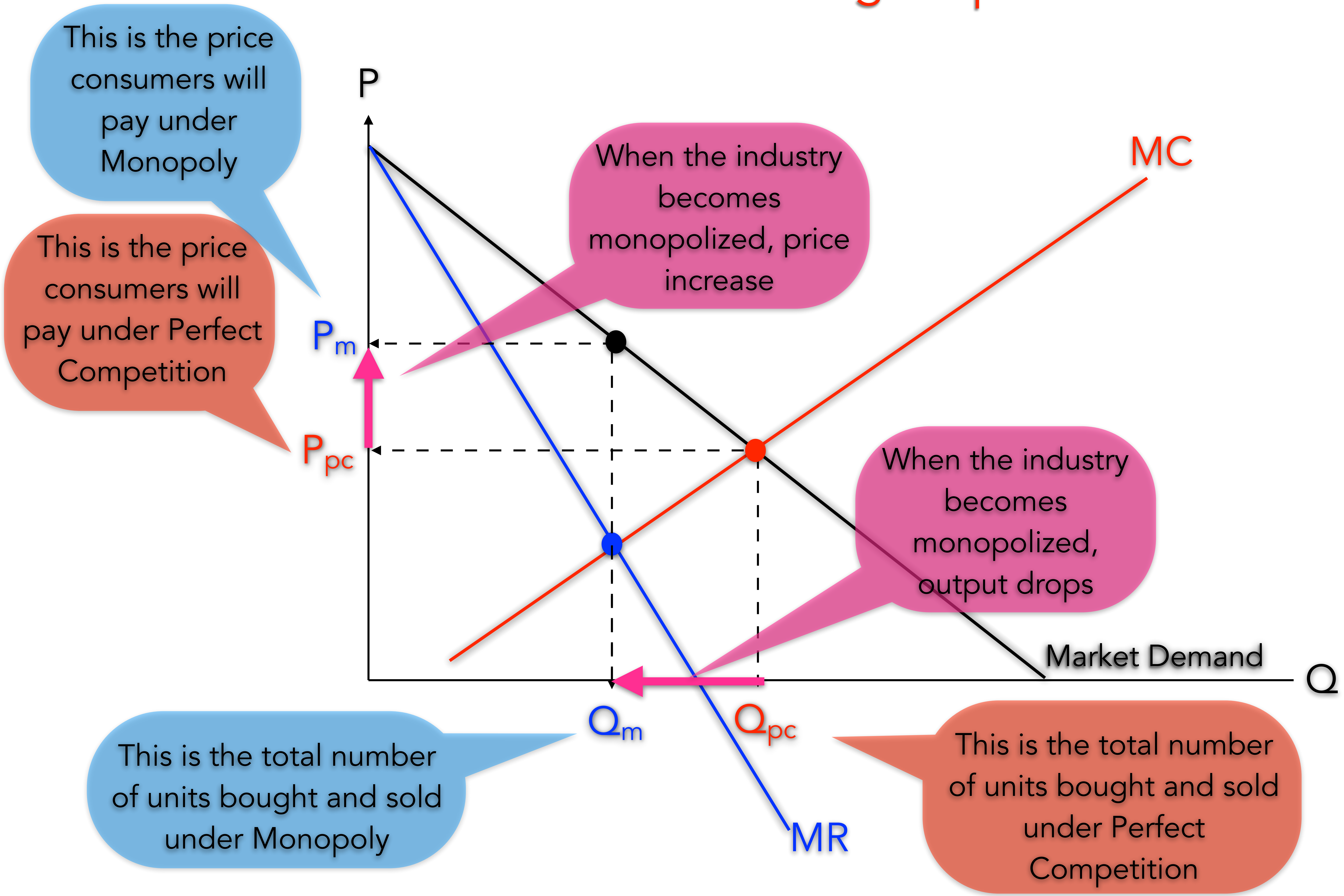


When the industry becomes monopolized, price increase

Monopolies produce less output and charge higher prices

When the industry becomes monopolized, output drops

Monopolies produce less output and charge higher prices



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