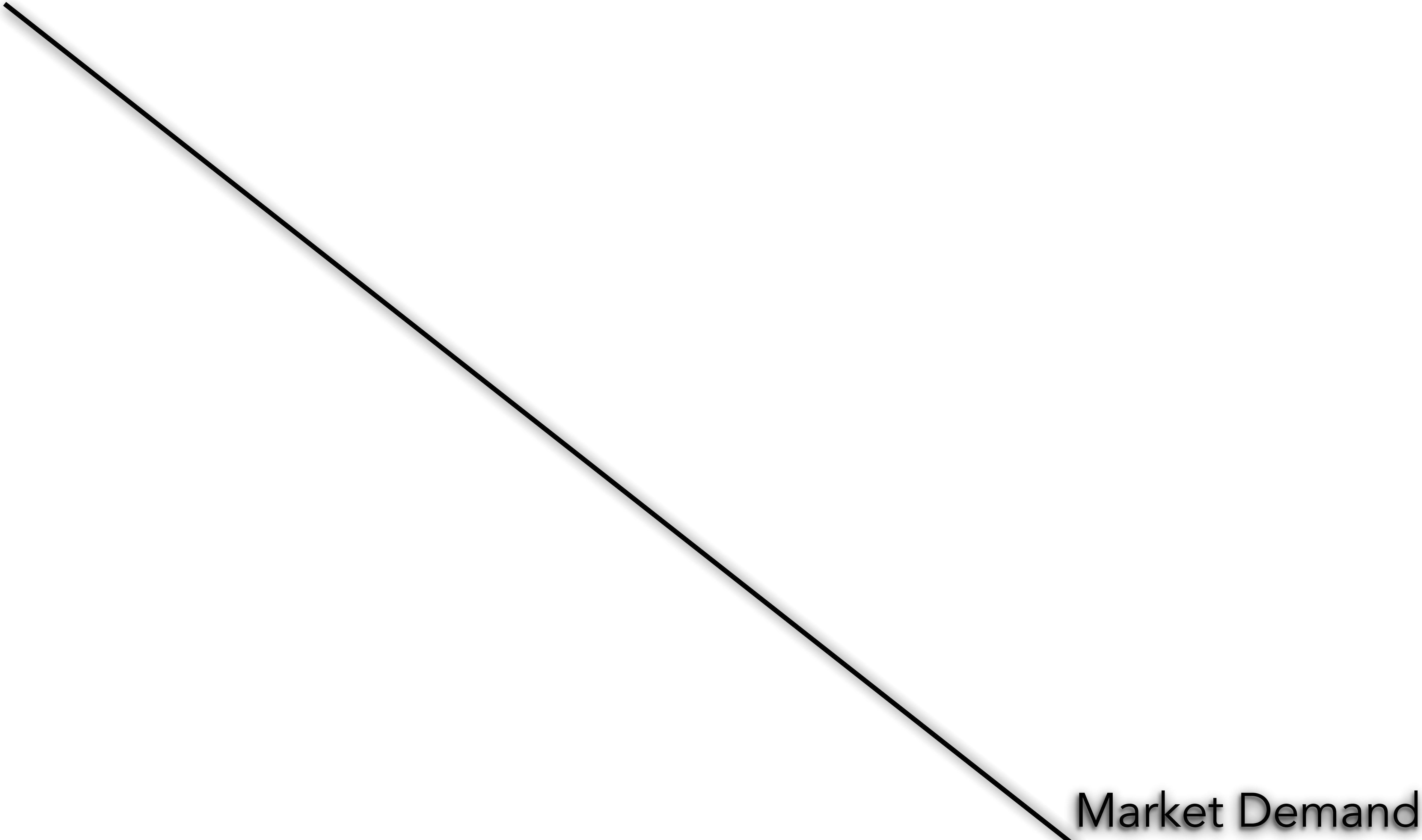
Q

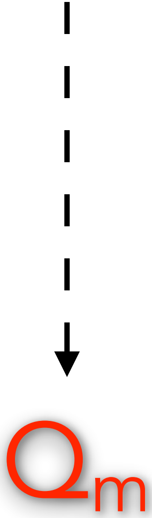

Market Demand

P

Market Supply

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

P_{pc}


Q_m

This is the price consumers pay under Perfect Competition

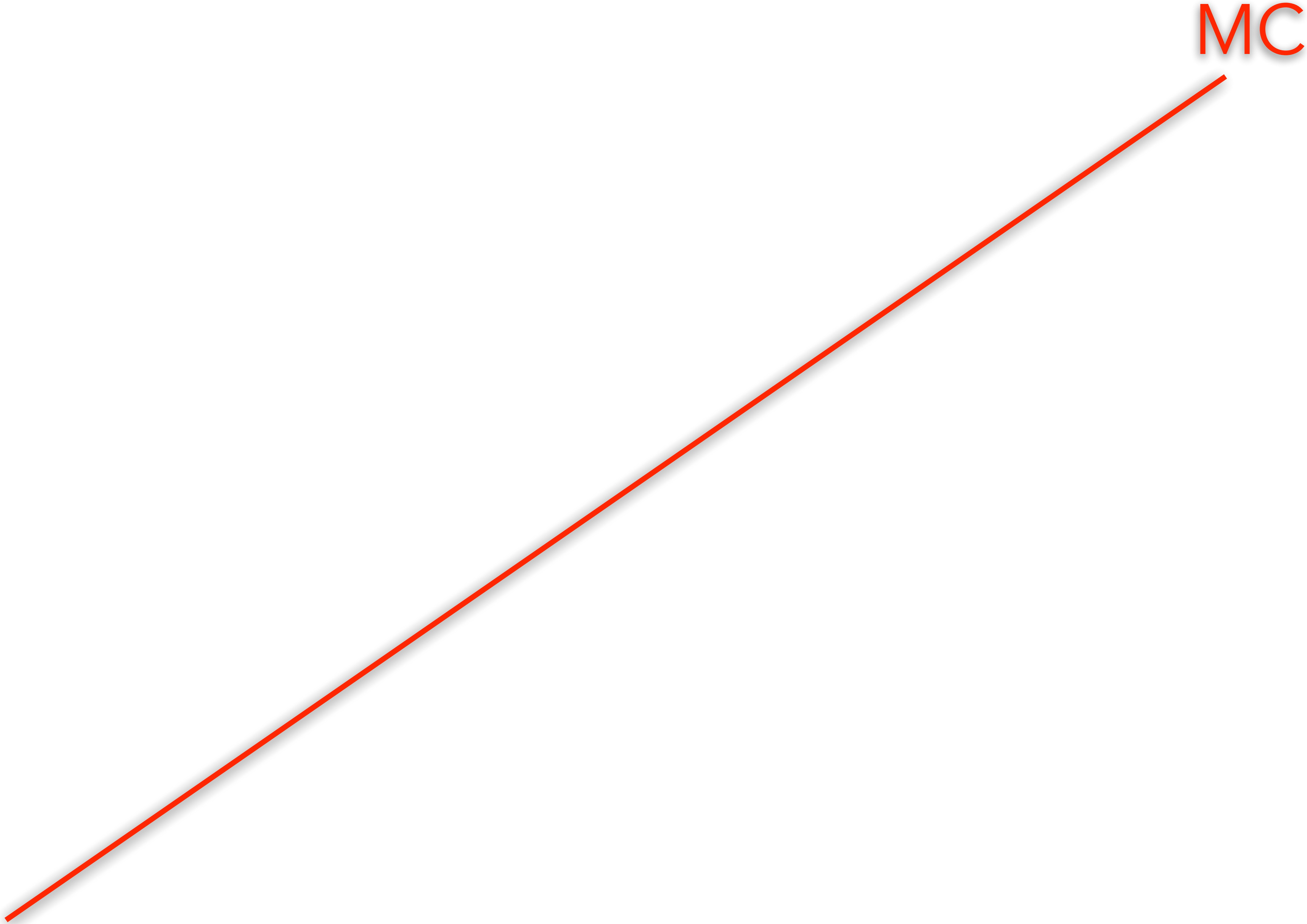
This is the total number of units bought and sold under Perfect Competition

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

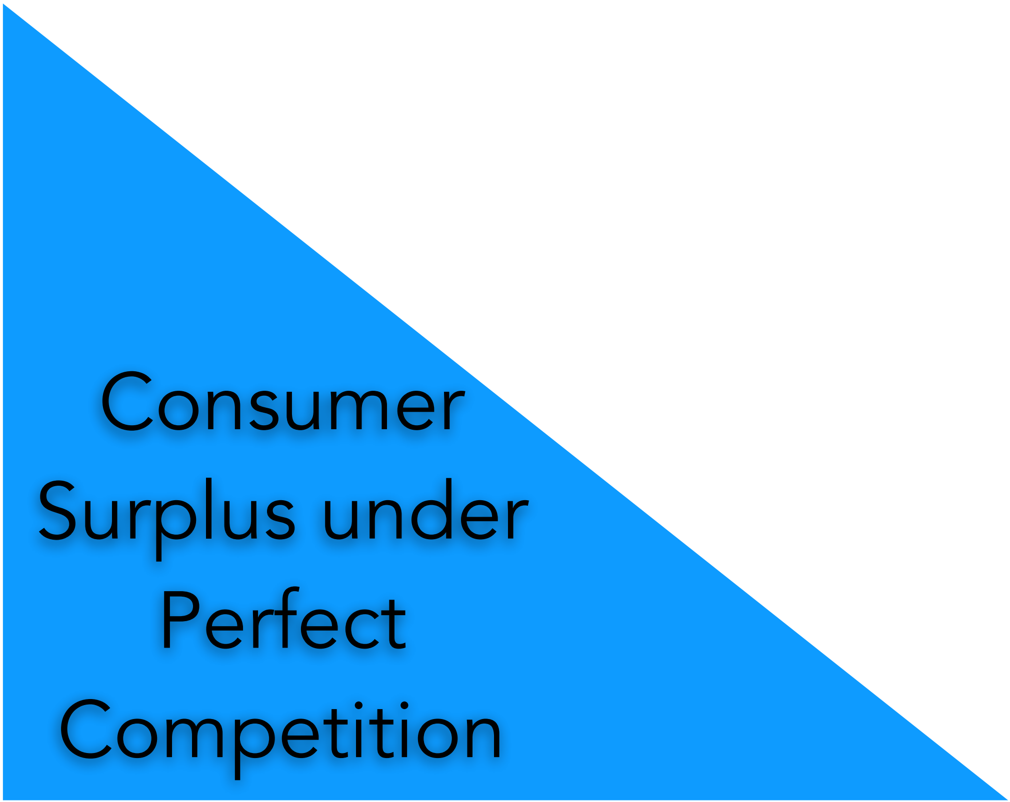
This is the price
consumers pay
under Monopoly

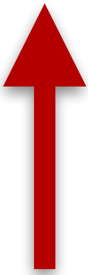
$P_m \dashleftarrow$

When the industry becomes monopolized, price increase

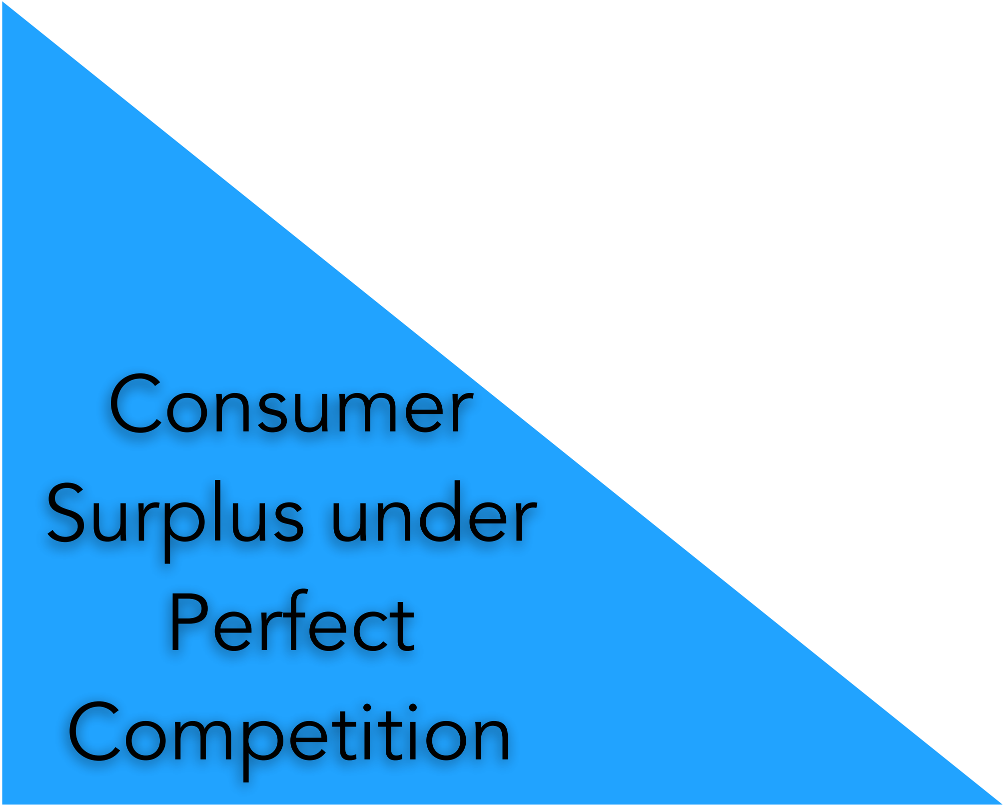
Monopolies produce less output and charge higher prices

When the industry becomes monopolized, output drops


Consumer
Surplus under
Perfect
Competition

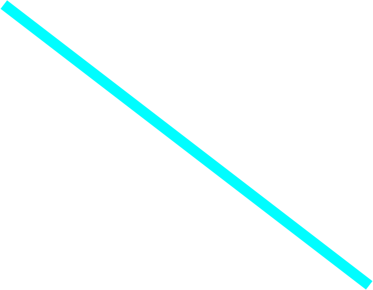


Consumer Surplus under Monopoly

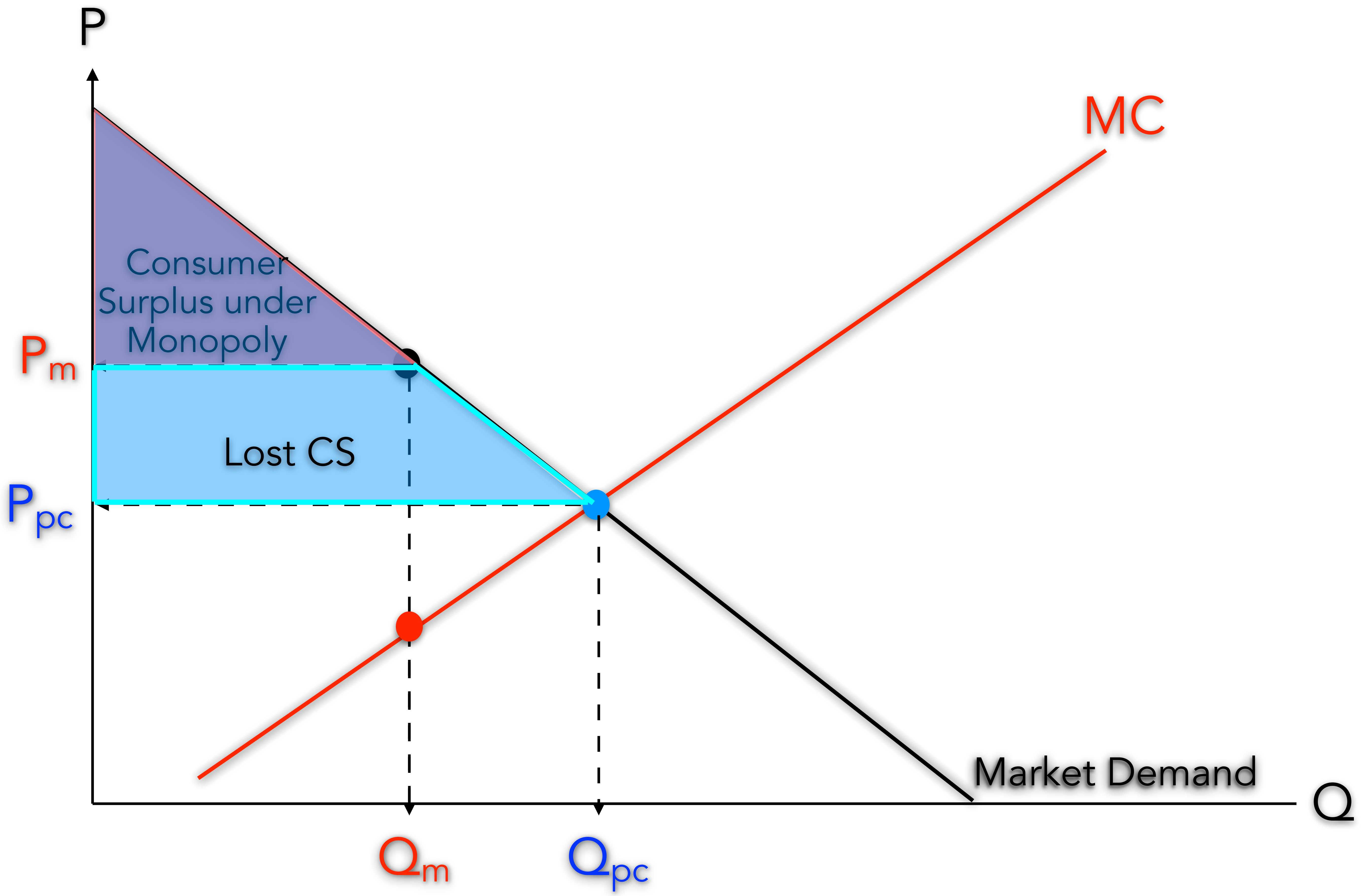

Consumer Surplus under Perfect Competition

Some Consumer Surplus is lost when the industry becomes Monopolized

Lost CS



Some Consumer Surplus is lost when the industry becomes Monopolized



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

Perfect Competition