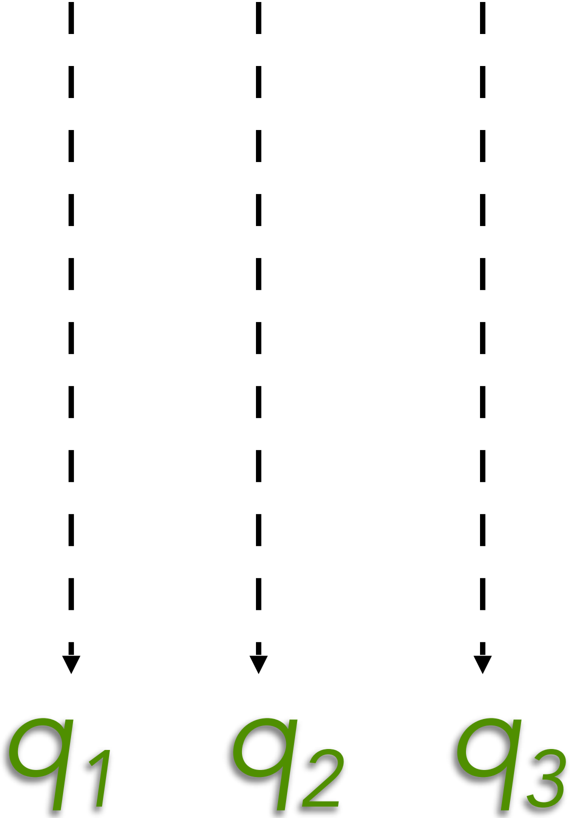
D

MR = Price

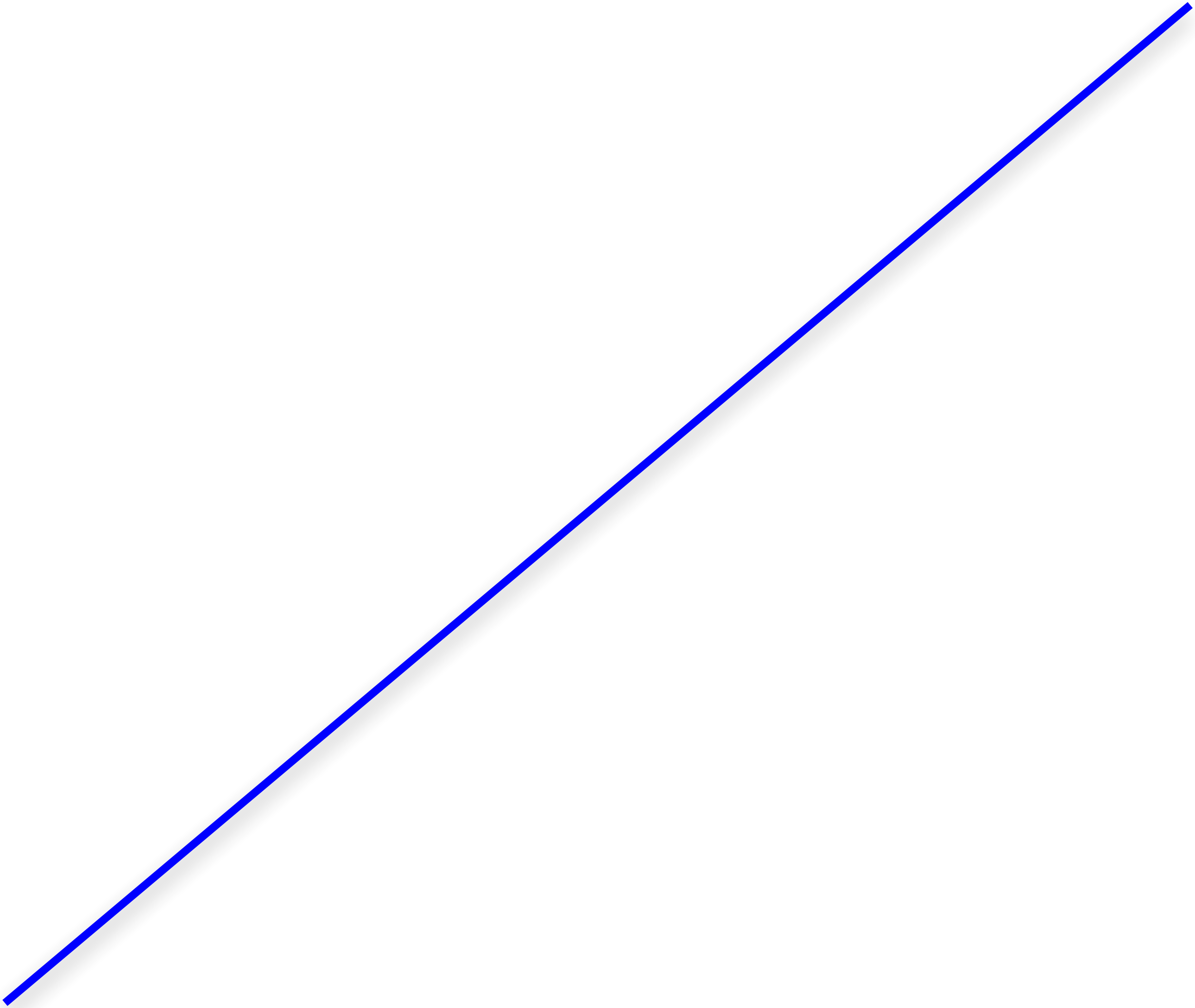

q_1
q_2
q_3

P

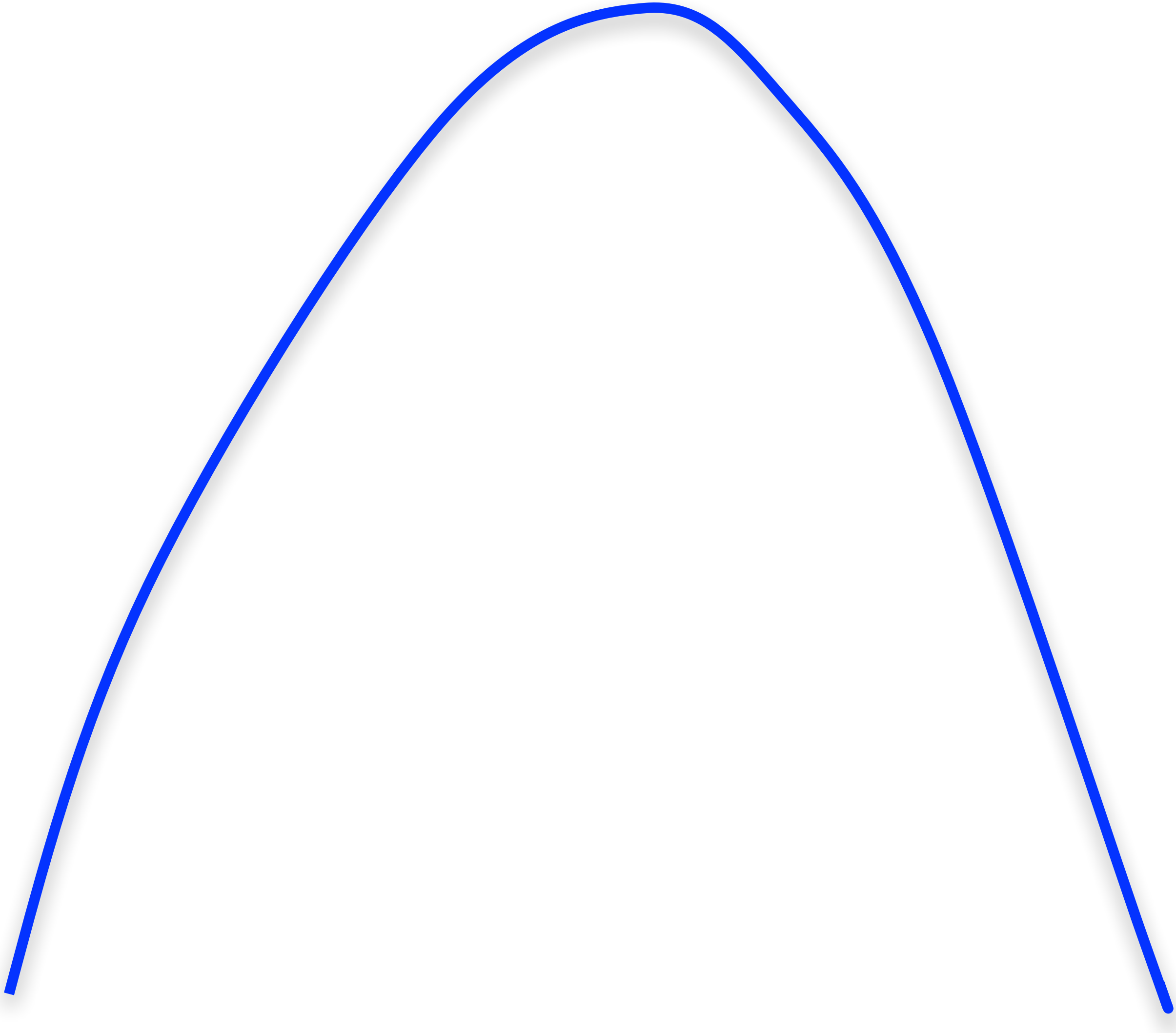
Monopoly

TR

Q



TR



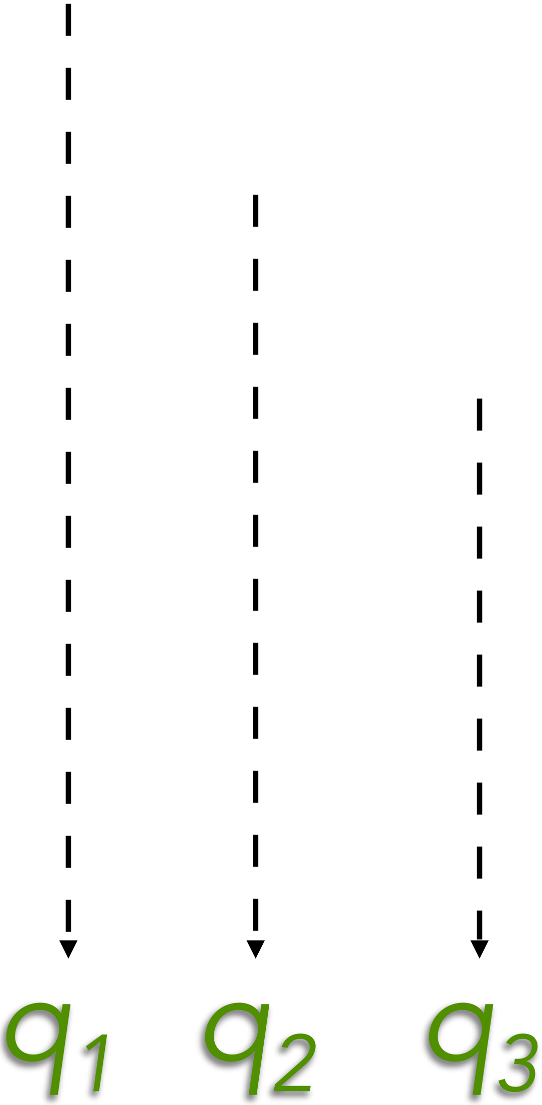
TR

TR increase

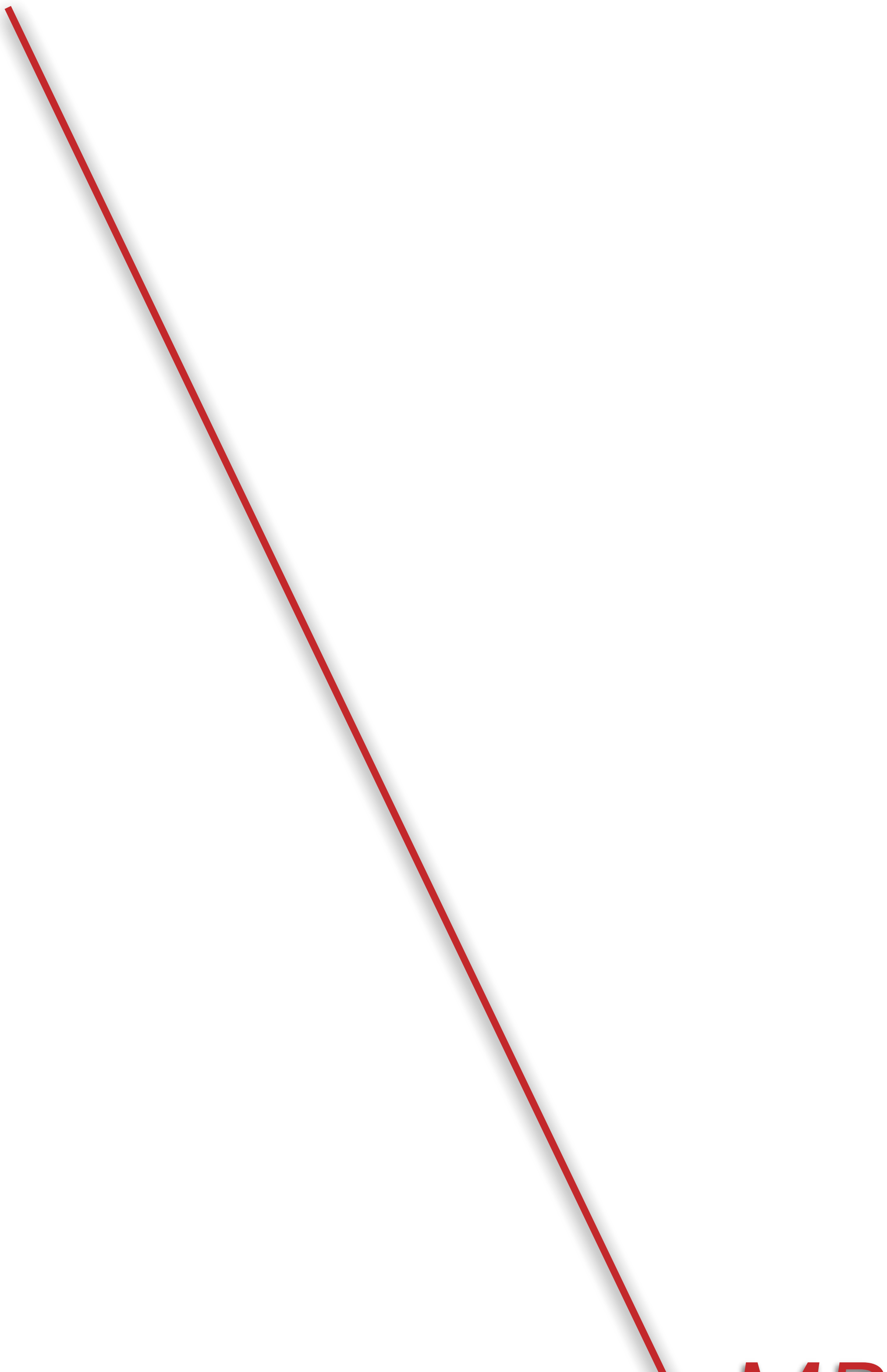
Monopolist must drop price to sell more units

For Perfectly Competitive firms Marginal Revenue equals Price

Monopolist faces Market Demand


q_1
q_2
q_3

Marginal Revenue drops as Q increase


MR

Marginal Revenue becomes negative

MR

MR_1

$P_1 \dashleftarrow$

Price is always greater than MR

MR_2

$P_2 \dashleftarrow$

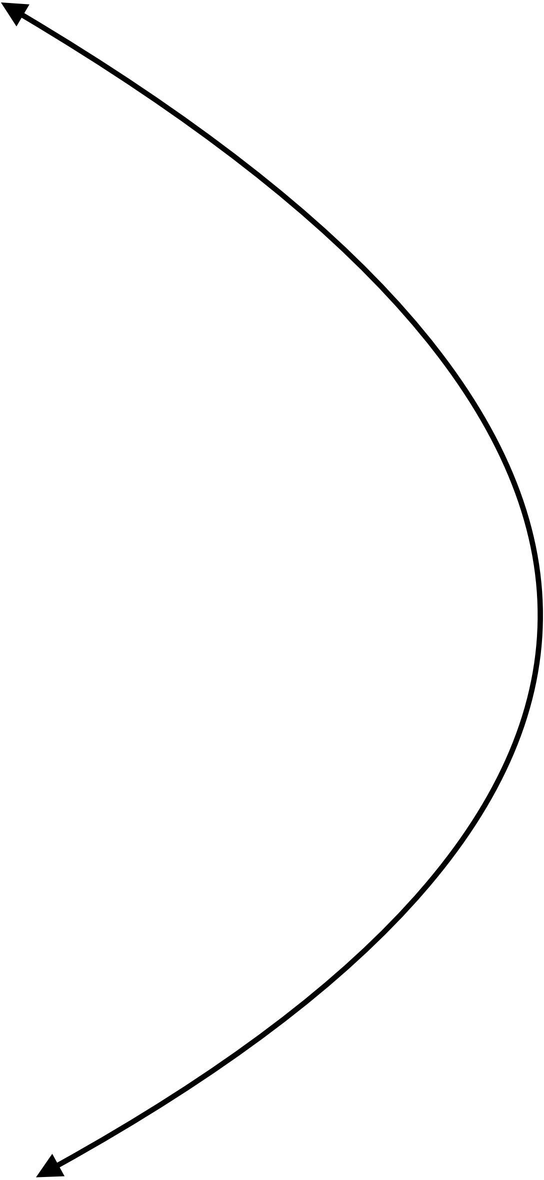
When TR is maximum, MR = 0

Perfect Competition

A Perfectly Competitive firm does not have to drop price to sell more units

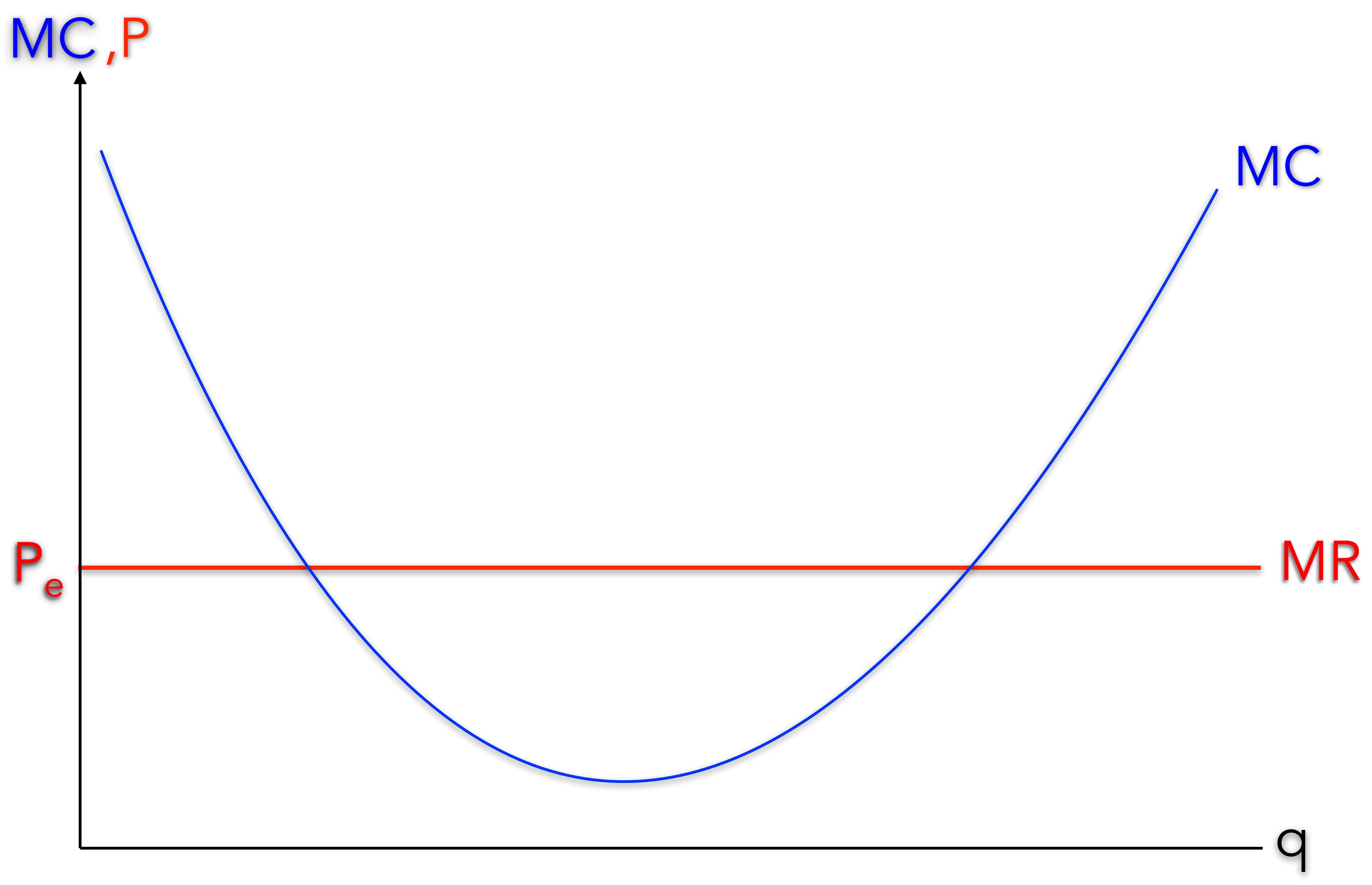
For Perfectly Competitive firms Marginal Revenue remain the same as Q increase

Midpoint



This “markup above cost” is due to market power

Monopoly
Price is always greater than MR
This "markup above cost" is due to market power
P
P1
P2
MR1
MR2
Marginal Revenue drops as Q increase
D
q1
q2
q3
TR
When TR is maximum, MR = 0
MR
Midpoint
TR
Q
Perfect Competition
P
For Perfectly Competitive firms Marginal Revenue equals Price
MR = Price
For Perfectly Competitive firms Marginal Revenue remain the same as Q increase
q1
q2
q3
TR
TR
TR increase
Q



MC,P
MC
Pe
MR
q