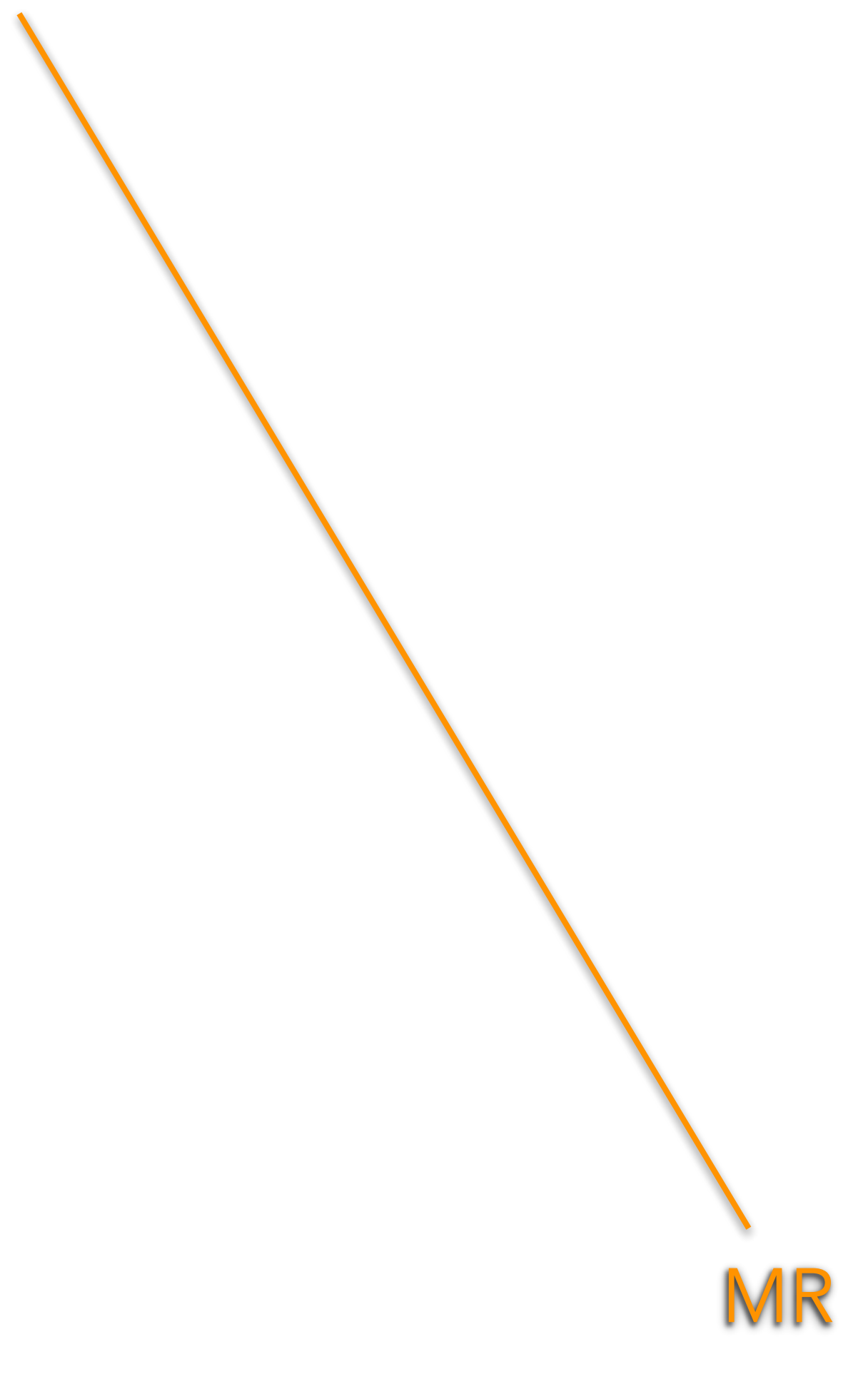
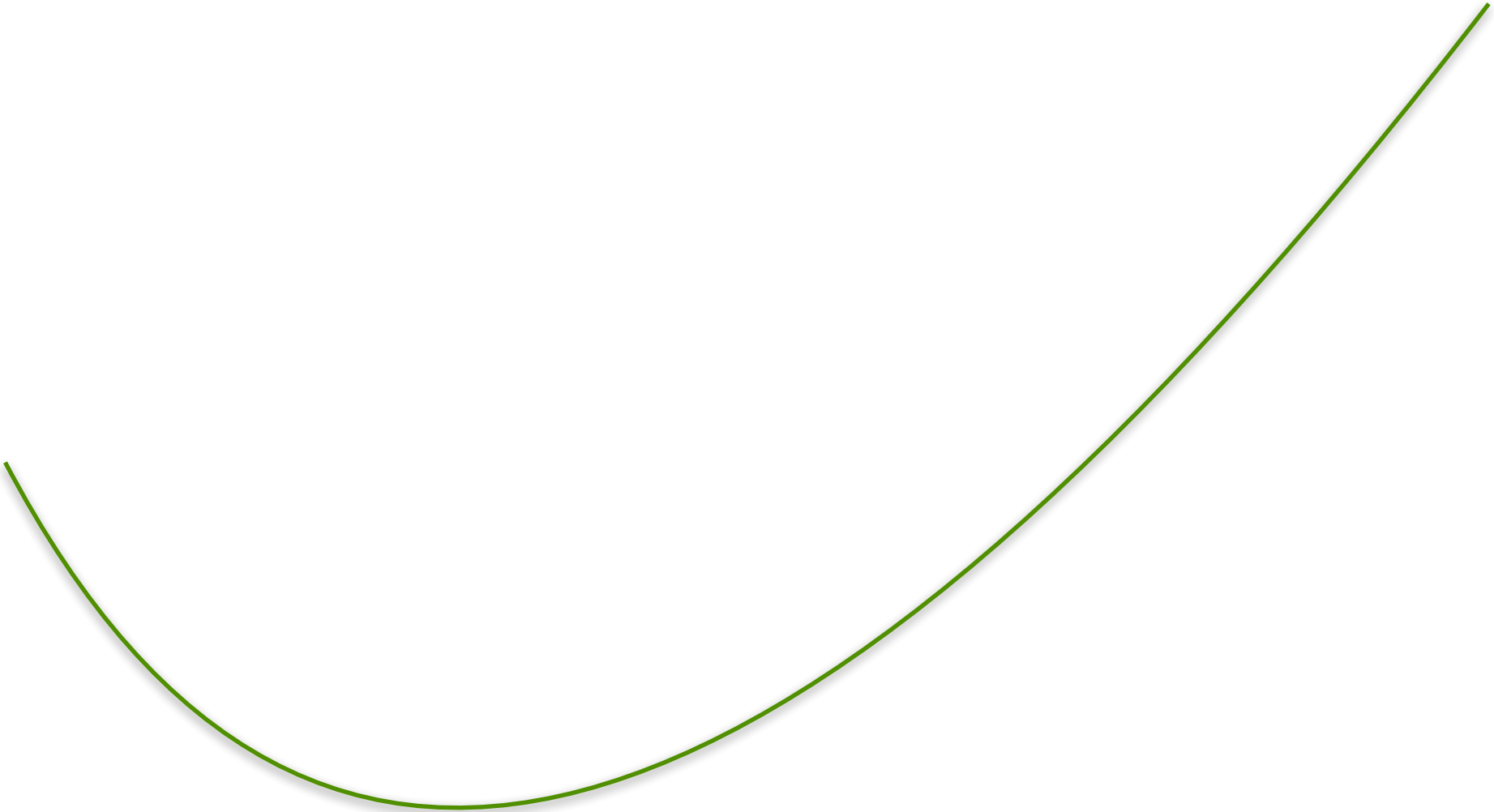
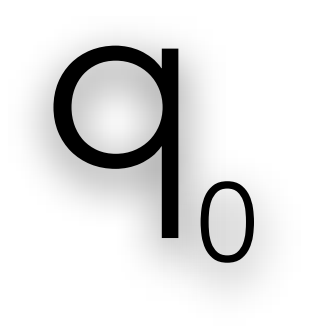

MC


MR

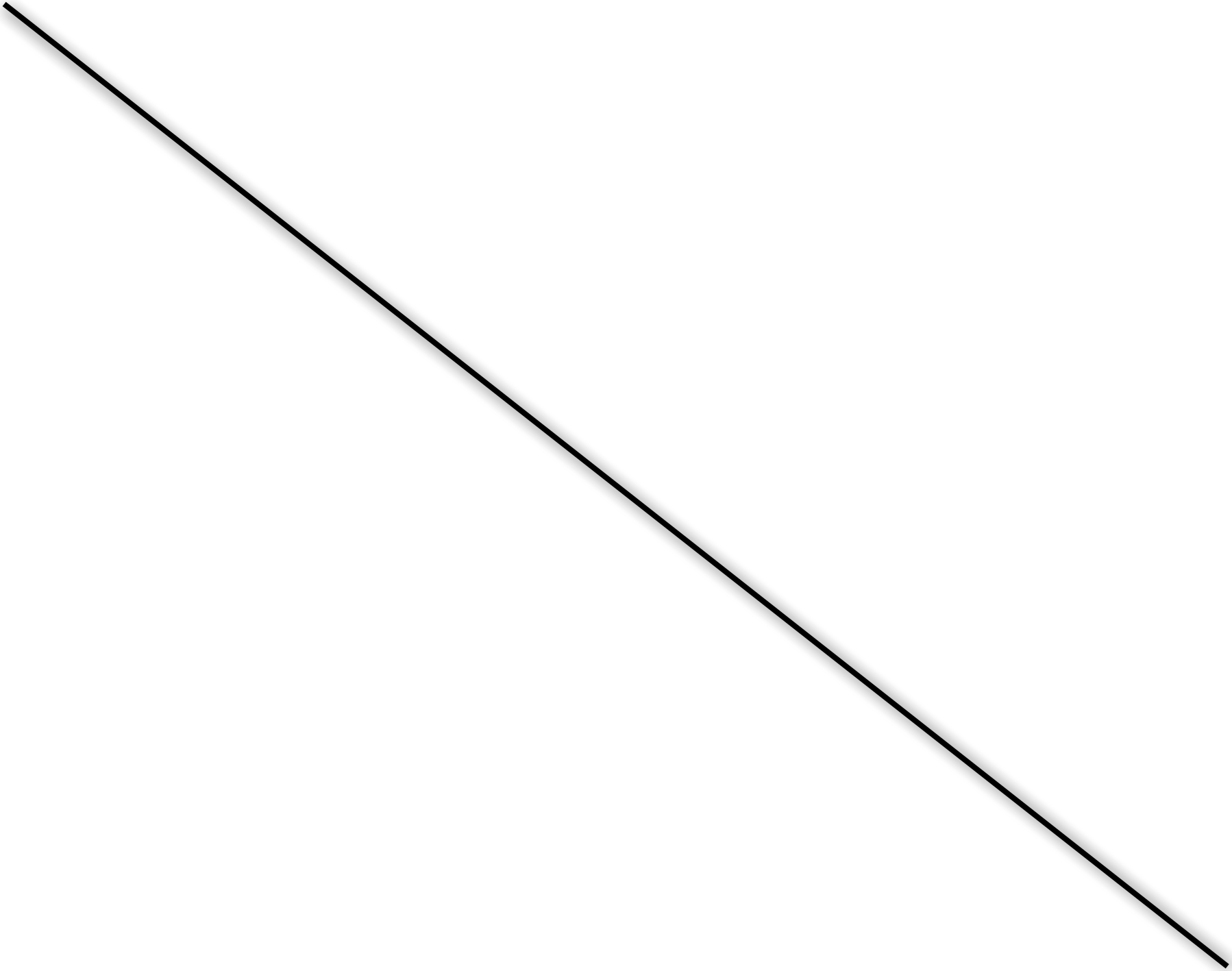


,P

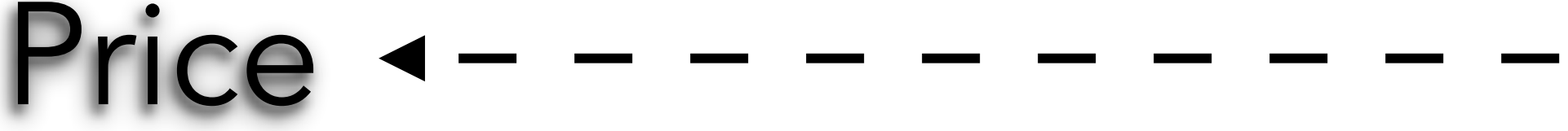
Total Profit is maximum or losses are minimum when MC = MR

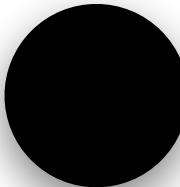

q_0

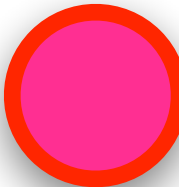
To Maximize Profit, or minimize the loss, the Monopolist must produce q_0



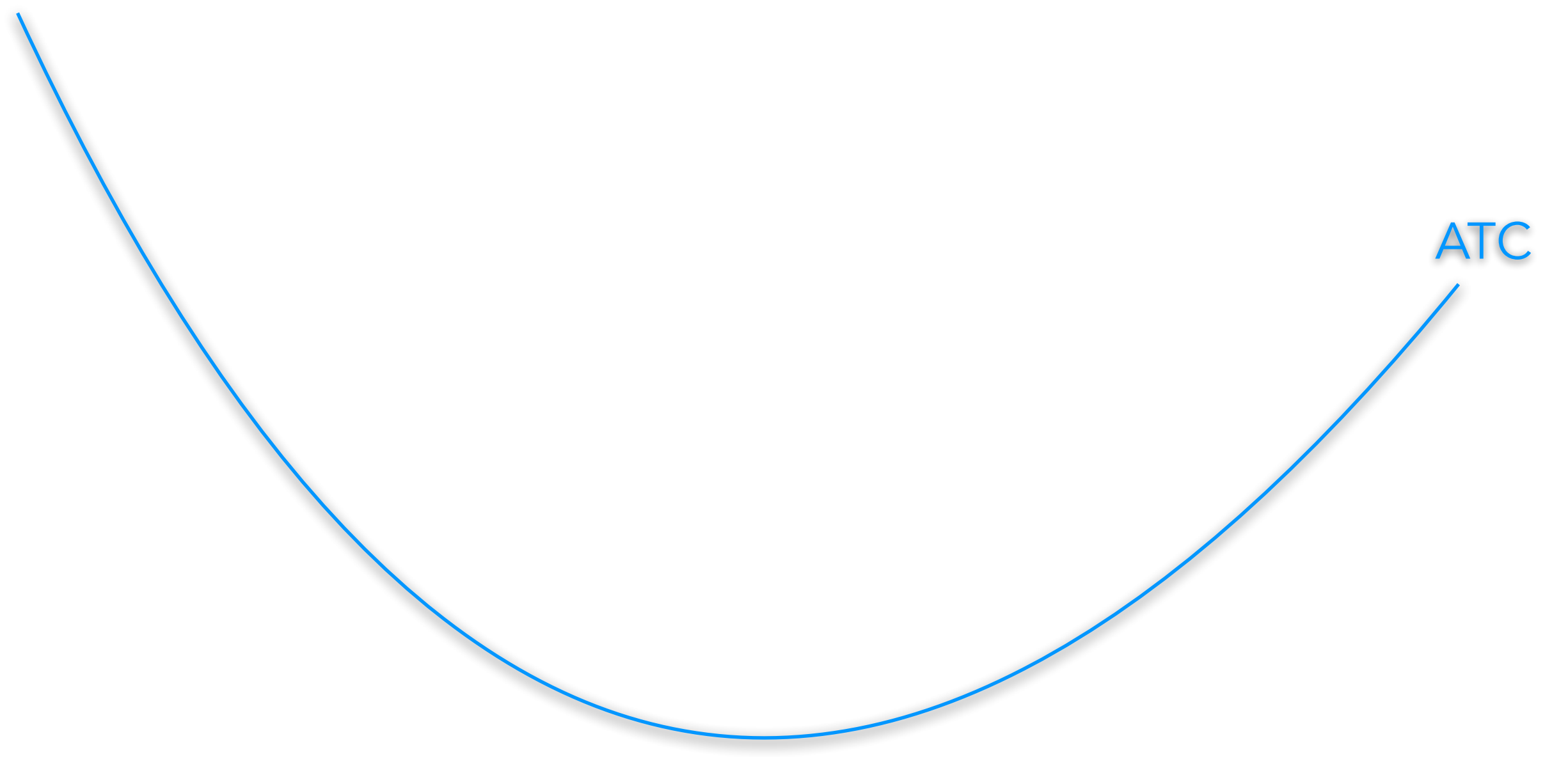
MC = MR


Price





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


ATC

TC

VC

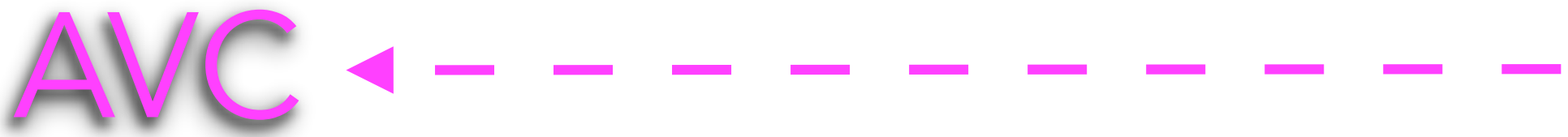
FC

TR

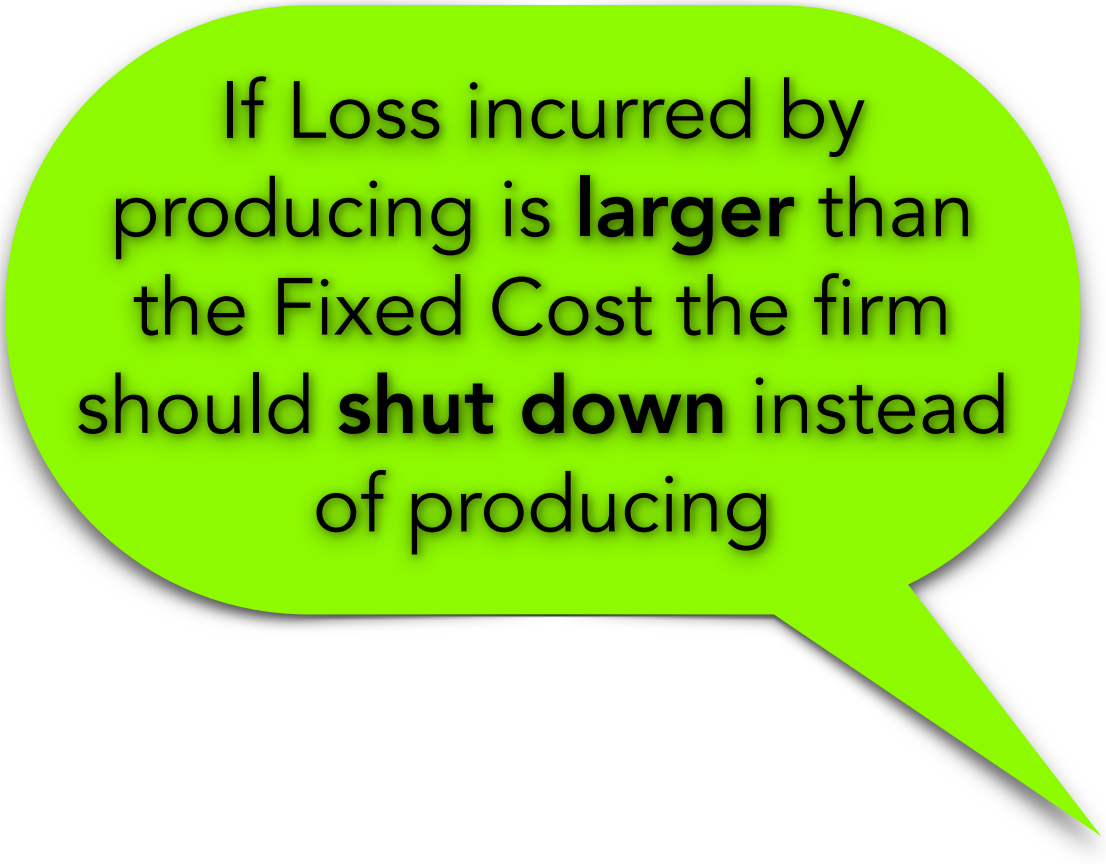
Loss

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


ATC


AVC

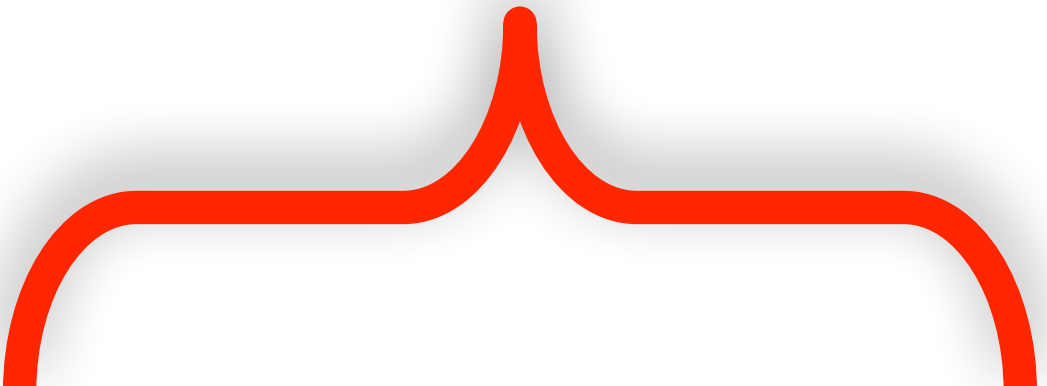

AVC


If Loss incurred by producing is **larger** than the Fixed Cost the firm should **shut down** instead of producing

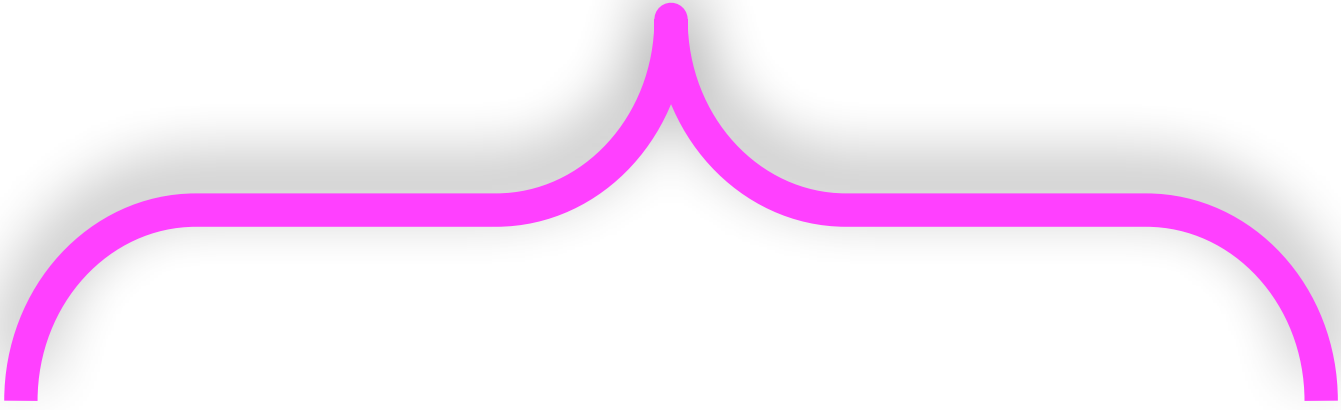
P< AVC < ATC

Revenue less than VC

$P \times Q < AVC \times Q < ATC \times Q$



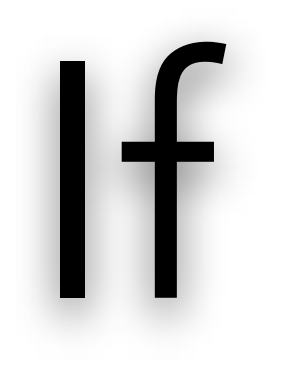
TR < VC < TC



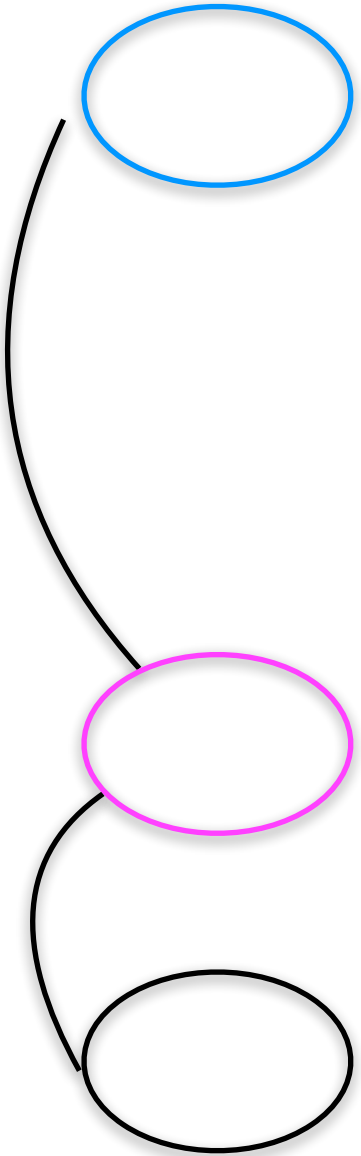
Monopolist incurs a loss larger than the FC

Monopolist should shut down in the short run and If Demand does not increase (shift right), the Monopolist should exit in the long run


FC


If

Price is lower than AVC and ATC



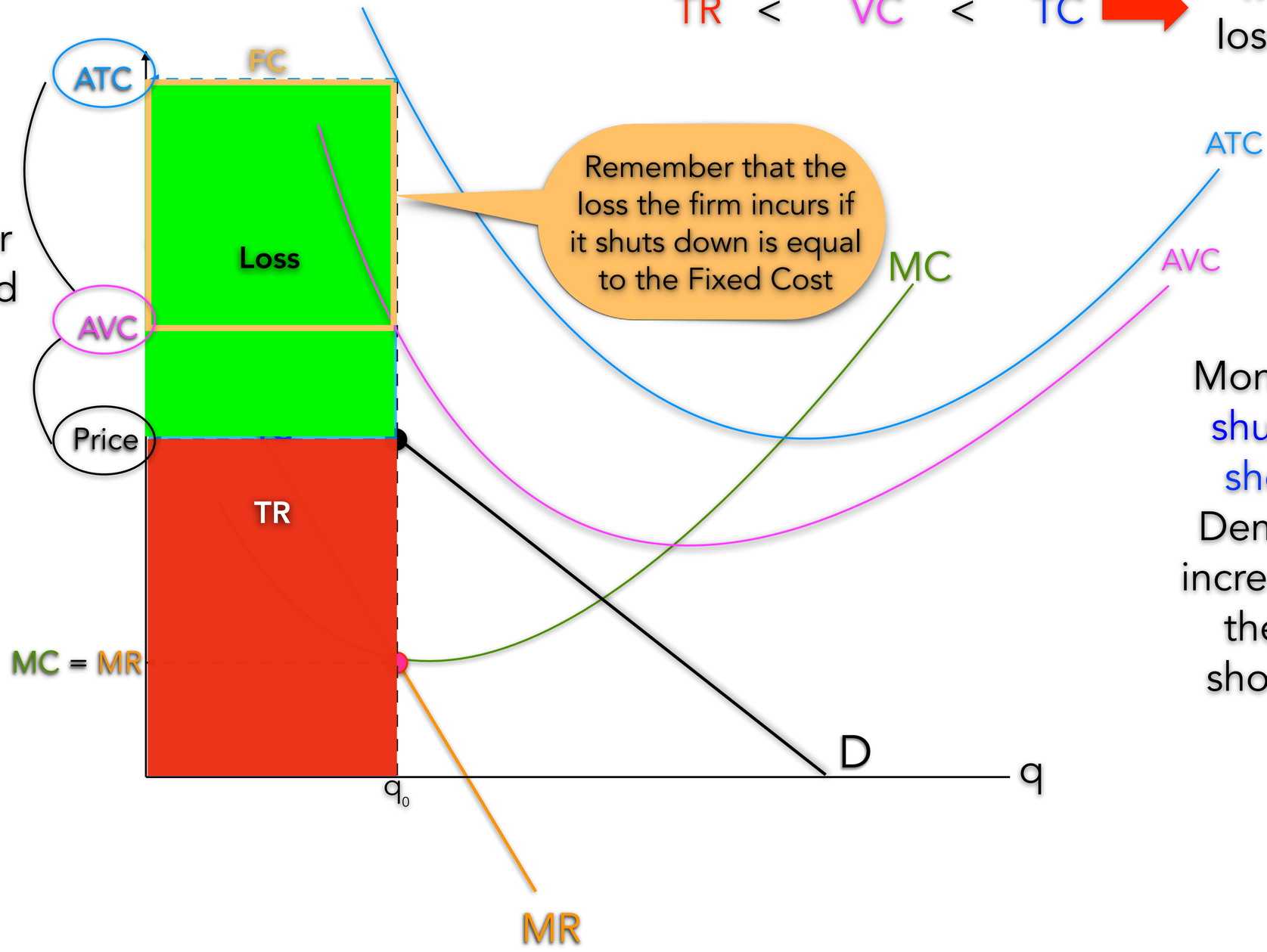

MC

If P< AVC < ATC

$P \times Q < AVC \times Q < ATC \times Q$

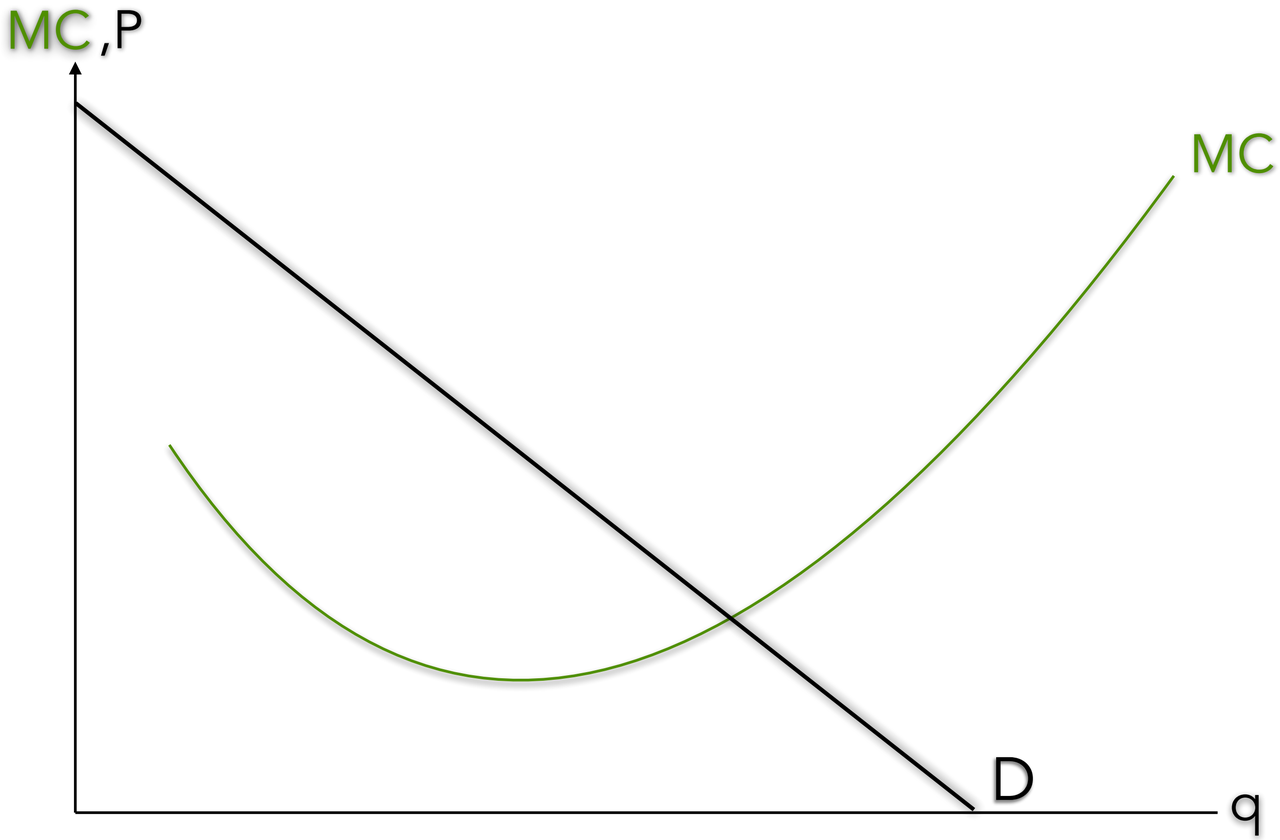
$TR < VC < TC$

Monopolist incurs a loss larger than the FC



Price is lower than AVC and ATC

Monopolist should shut down in the short run and If Demand does not increase (shift right), the Monopolist should exit in the long run


MC ,P
MC
D
q