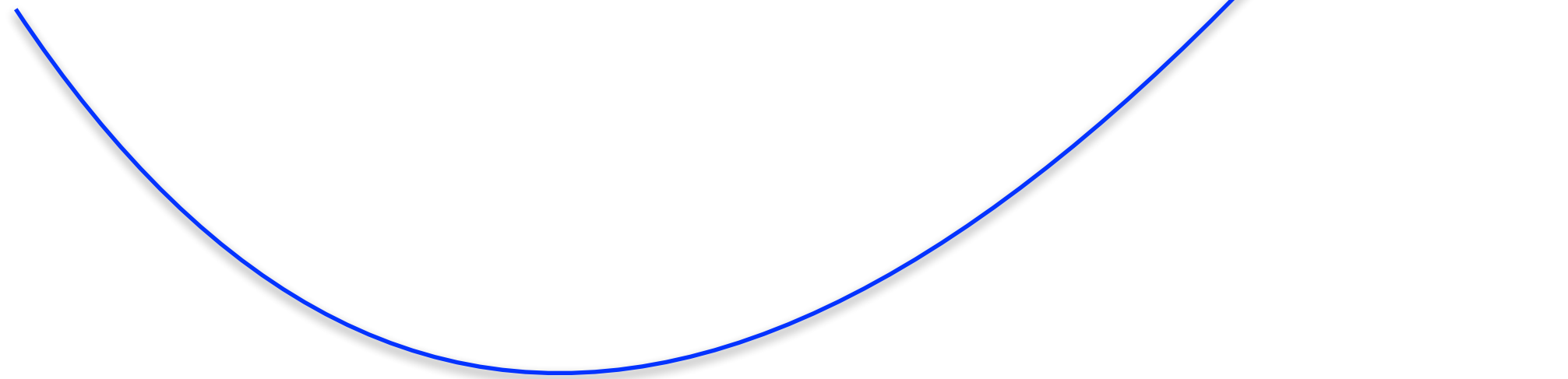


MR

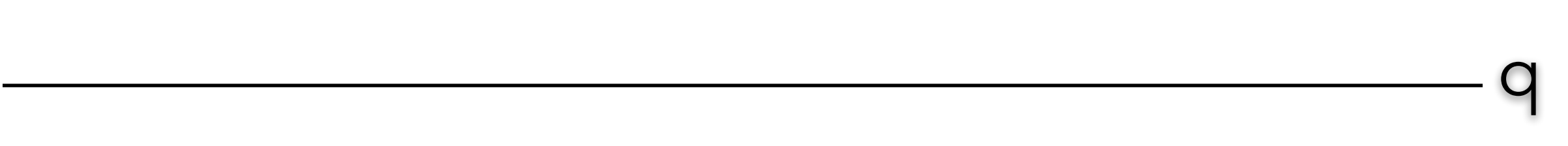
MC



MC



/P

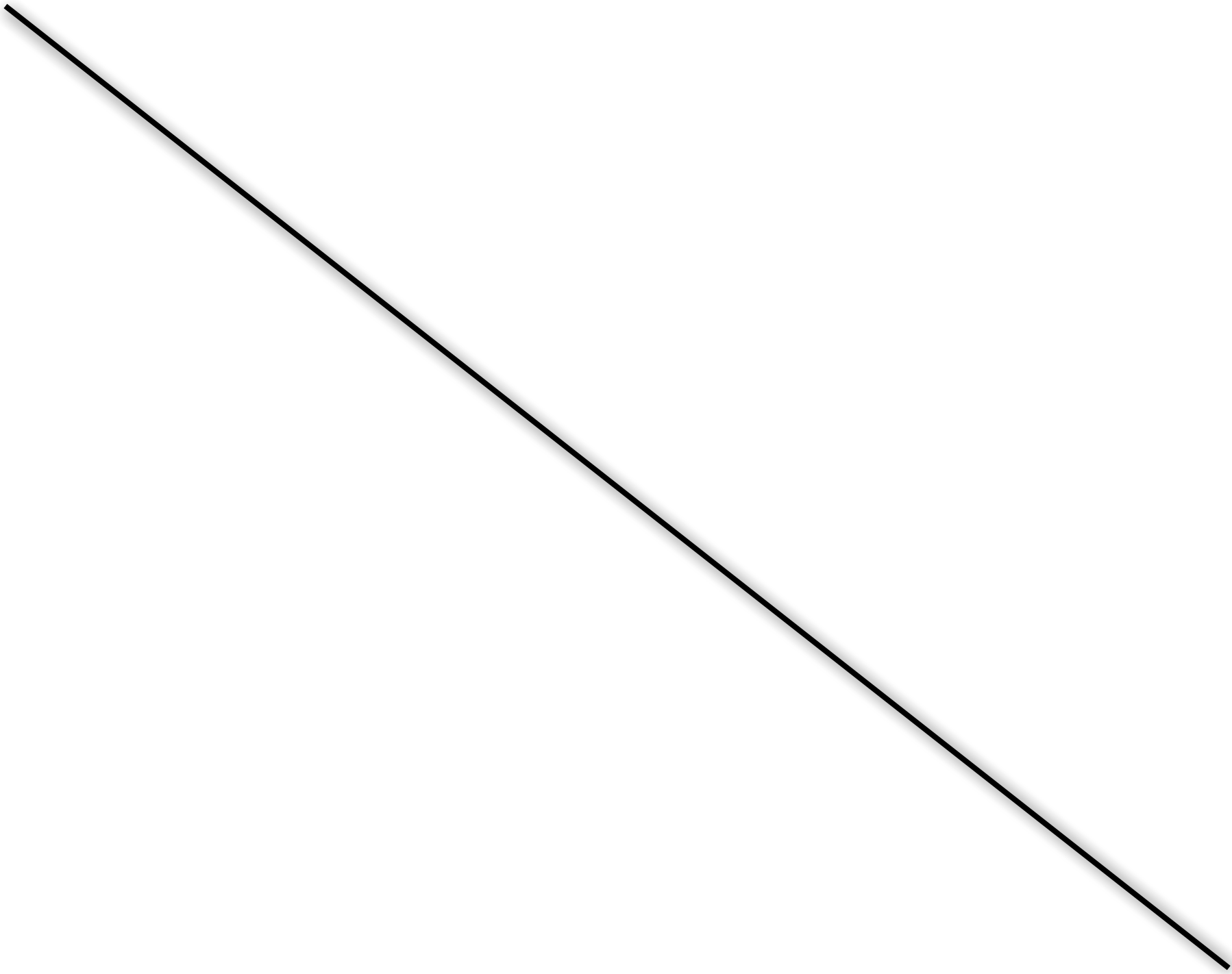


Monopolists choose output to Maximize Profit



90

To Maximize  
Profit, the  
Monopolist must  
produce  $q_0$





# Midpoint

MC

=

MR



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Price



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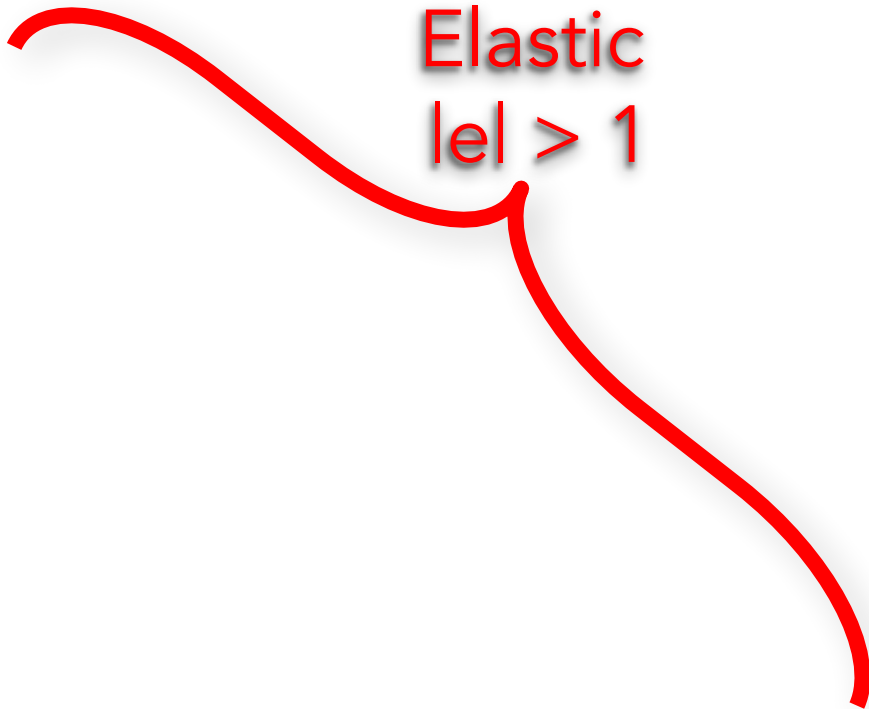






In order to sell  $q_0$   
units, the  
monopolist must  
charge this price

Elastic  
 $|e| > 1$





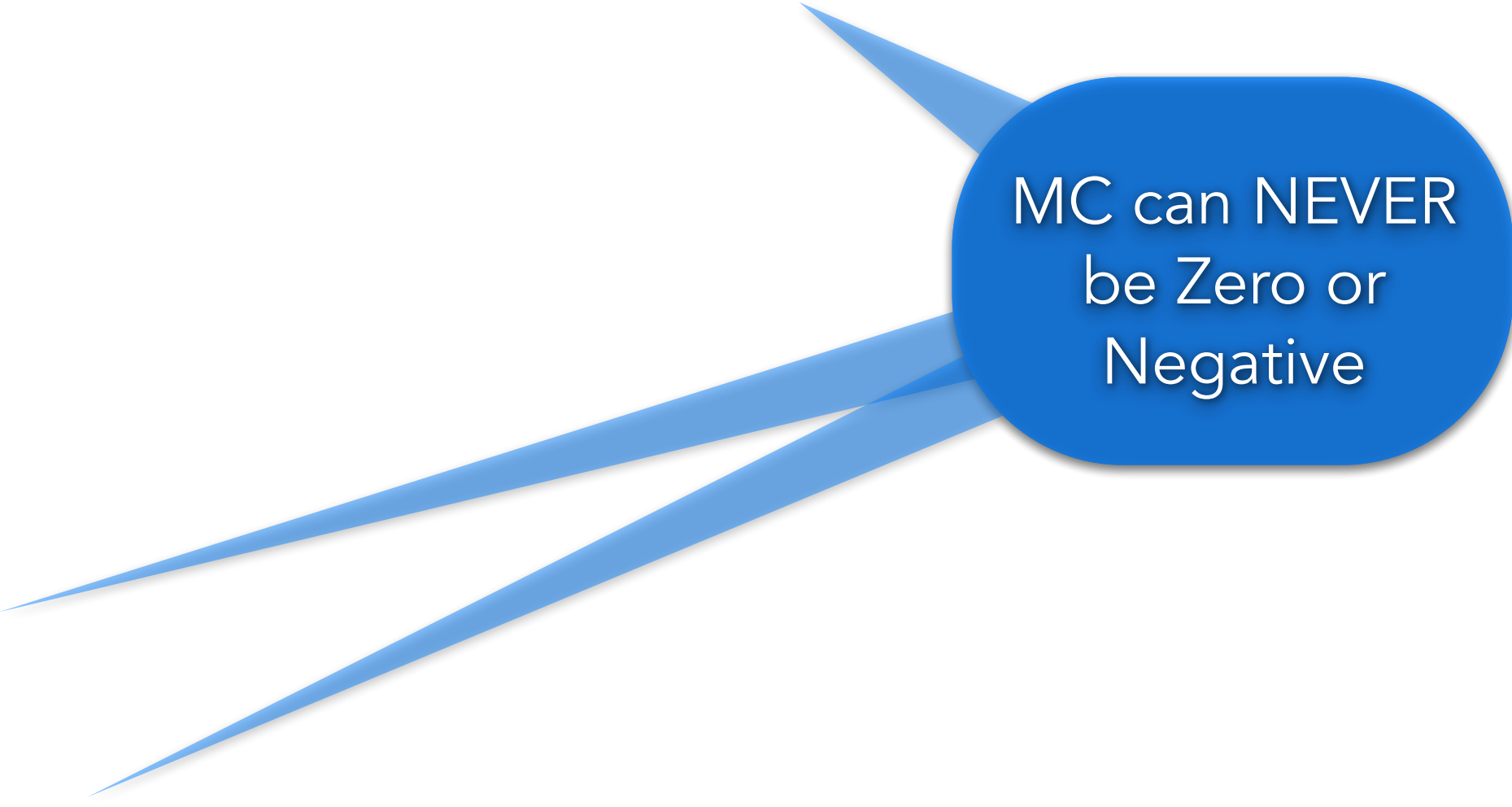
Inelastic  
 $|e| < 1$

$|\epsilon| = 1$

Unit Elastic







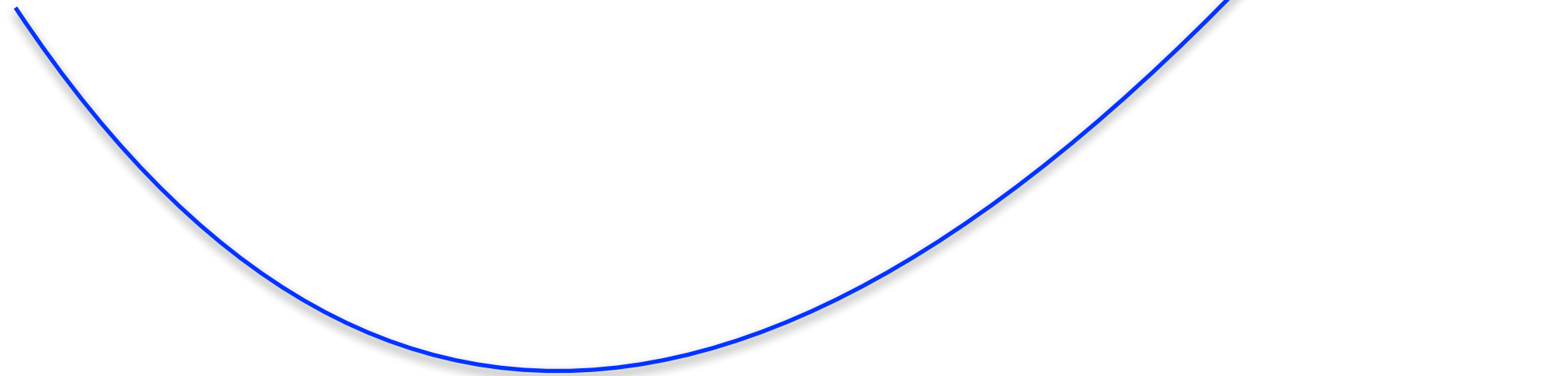
MC can NEVER  
be Zero or  
Negative



If the MC  
is lower



MC



q<sub>1</sub>



MC

=

MR



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Price



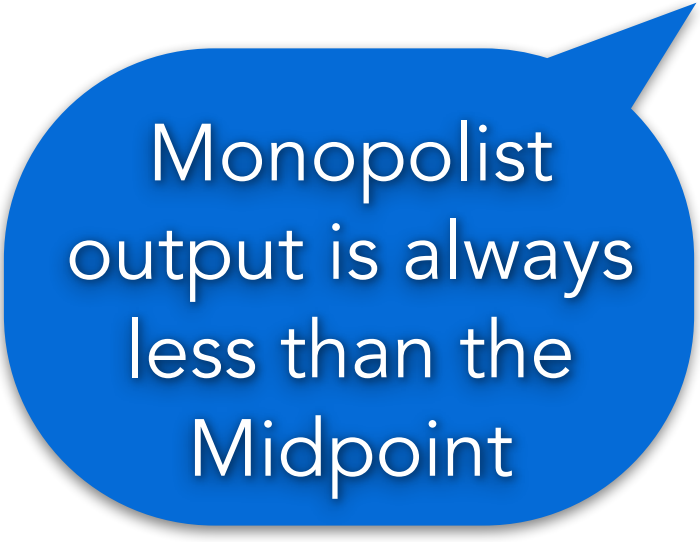
To Maximize  
Profit, the  
Monopolist must  
produce  $q_1$

In order to sell  $q_1$   
units, the  
monopolist must  
charge this price

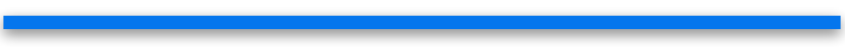






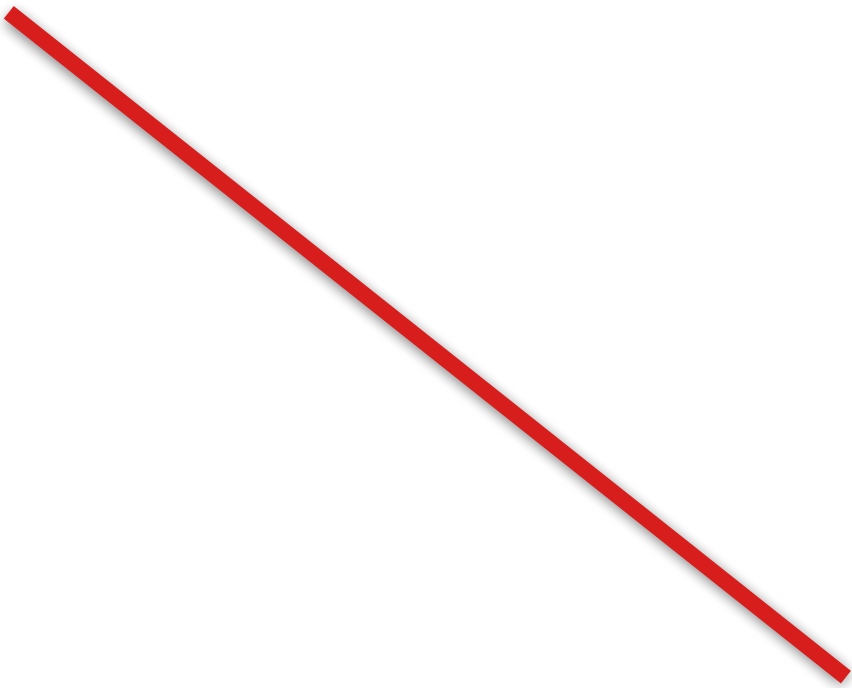


Monopolist  
output is always  
less than the  
Midpoint



A large red speech bubble with a white drop shadow, pointing towards the bottom-left corner. It contains white text.

Monopolist always  
choose a point on  
the elastic portion  
of Demand





## Monopolists choose output to Maximize Profit

