Market Structures

Monopoly

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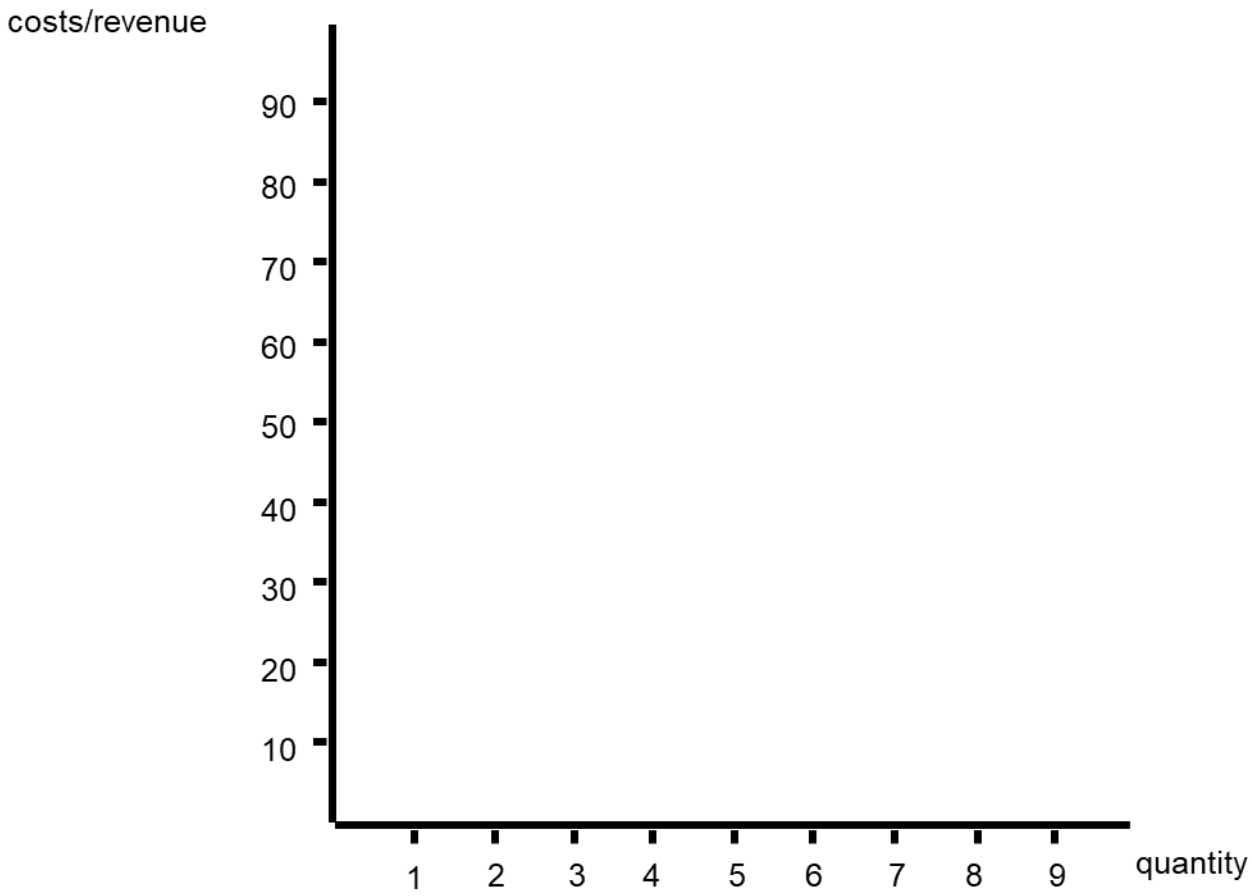
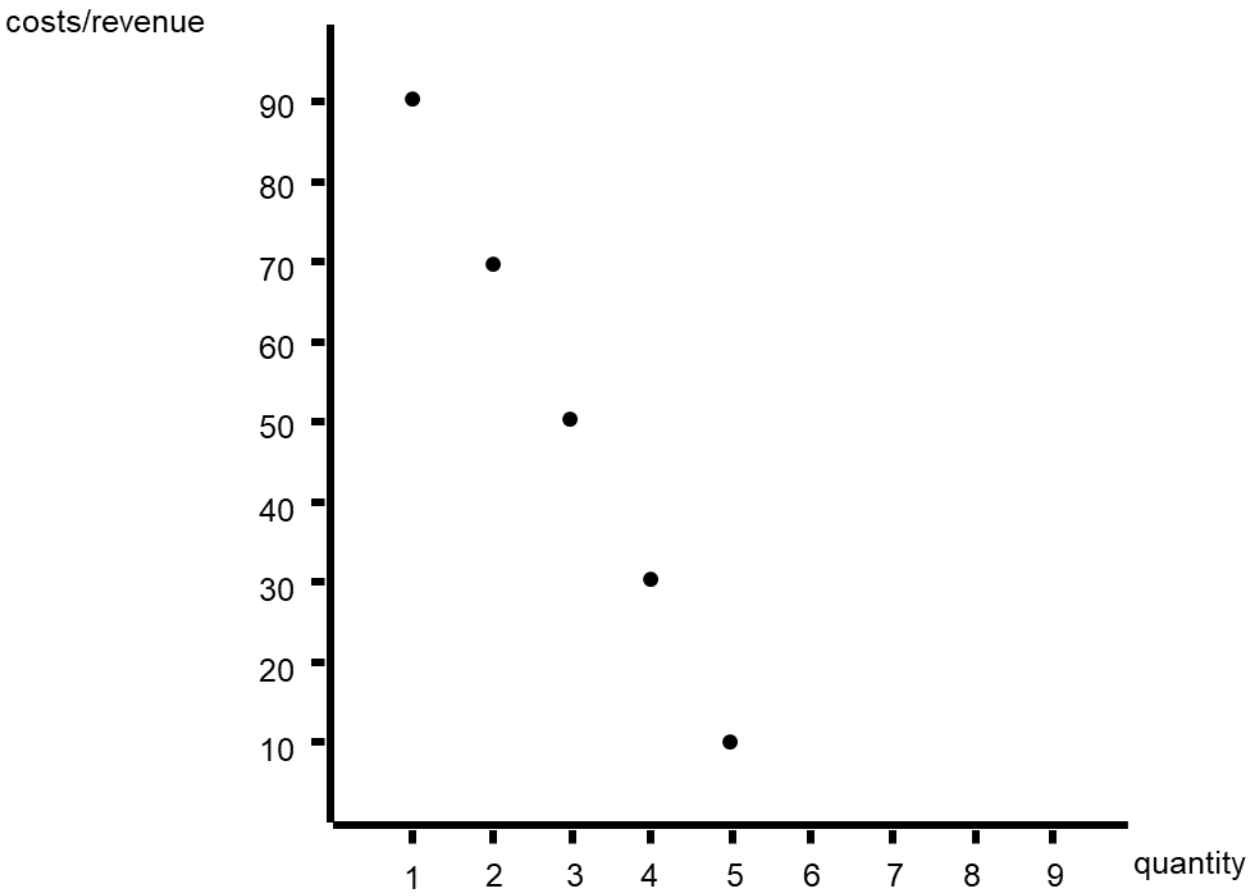
Quantity / Cost / Revenue Schedule

Q	TC	MC	ATC	TR	MR	AR
0	0					
1	60	60	60	90	90	90
2	110	50	55	160	70	80
3	150	40	50	210	50	70
4	180	30	45	240	30	60
5	220	40	44	250	10	50
6	270	50	45	240	-10	40
7	340	80	50	210	-30	30
8	480	140	60	160	-50	20

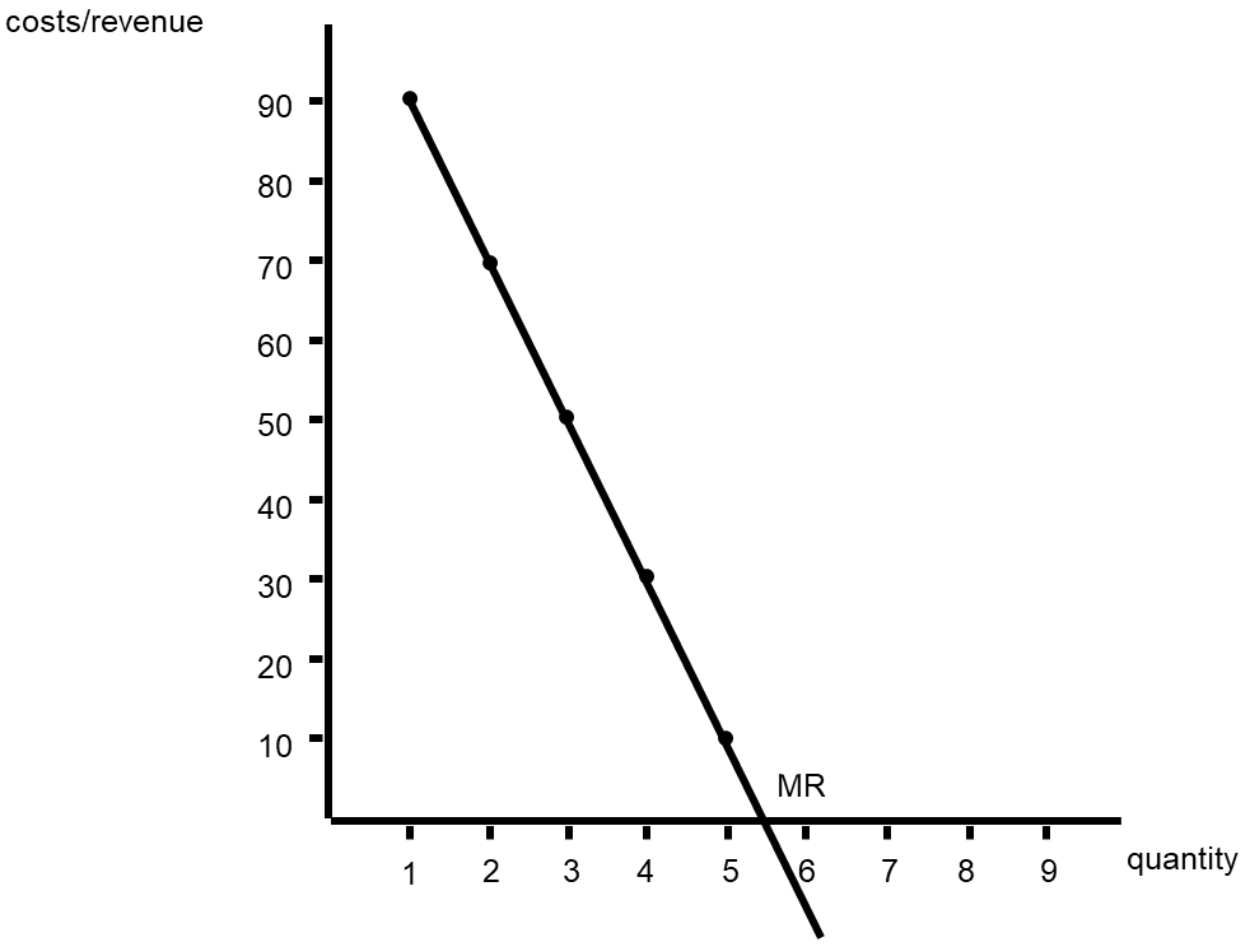
Step 1: Create Market Graph with the following:
Quantity on X-Axis
Cost/Revenue on Y-Axis



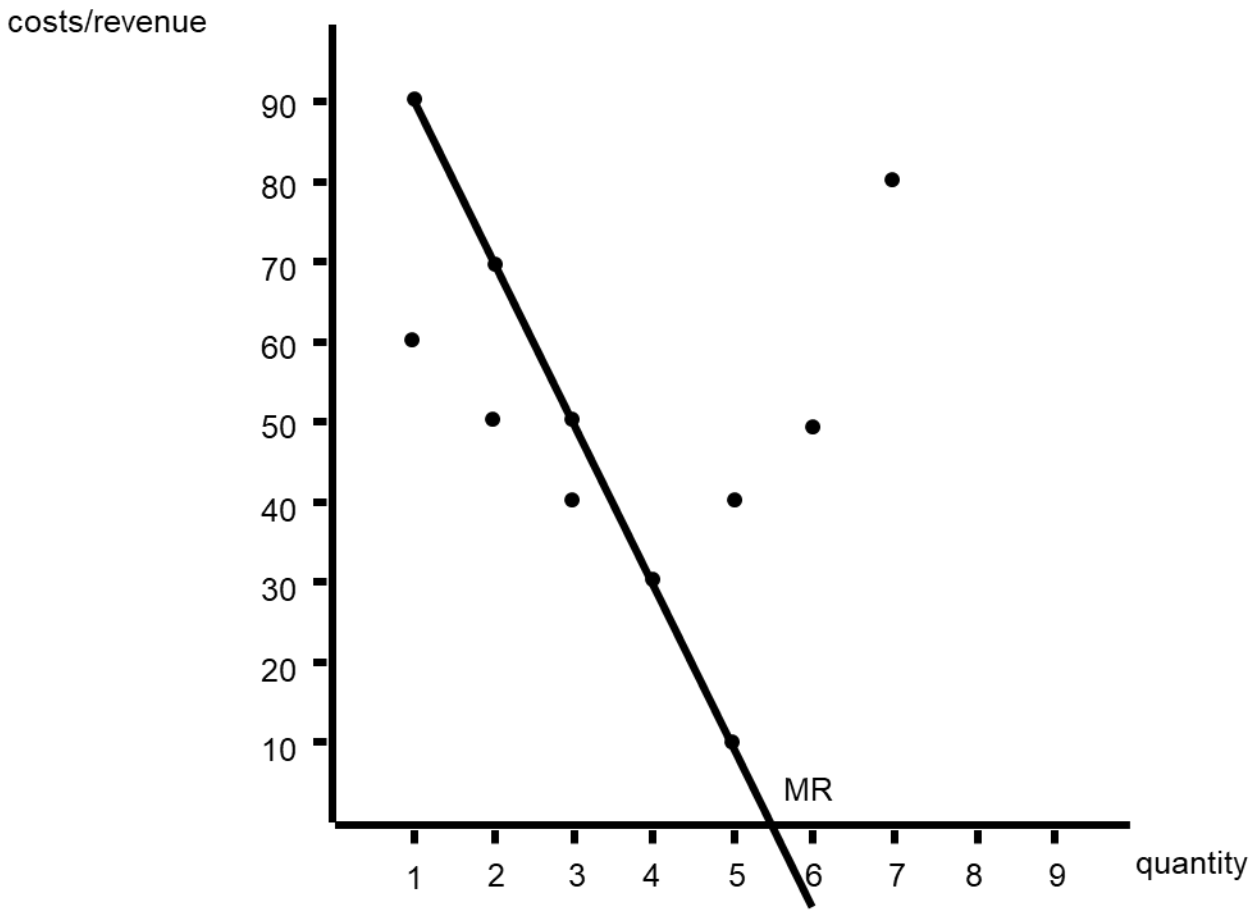
Step 2: Plot Marginal Revenue
(NOTE: It is necessary to draw MR line below X-Axis, but not required to plot points below X-Axis)



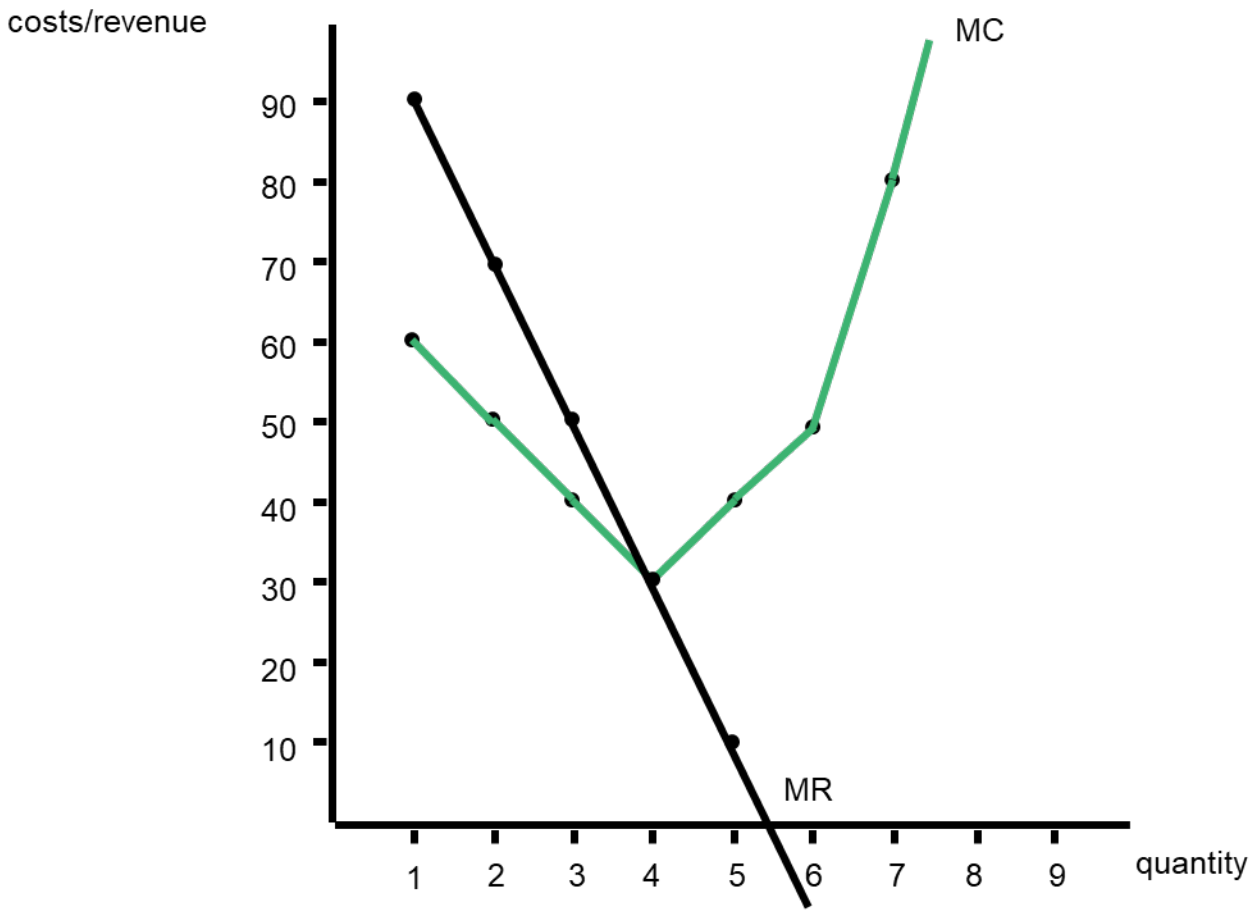
Marginal Revenue



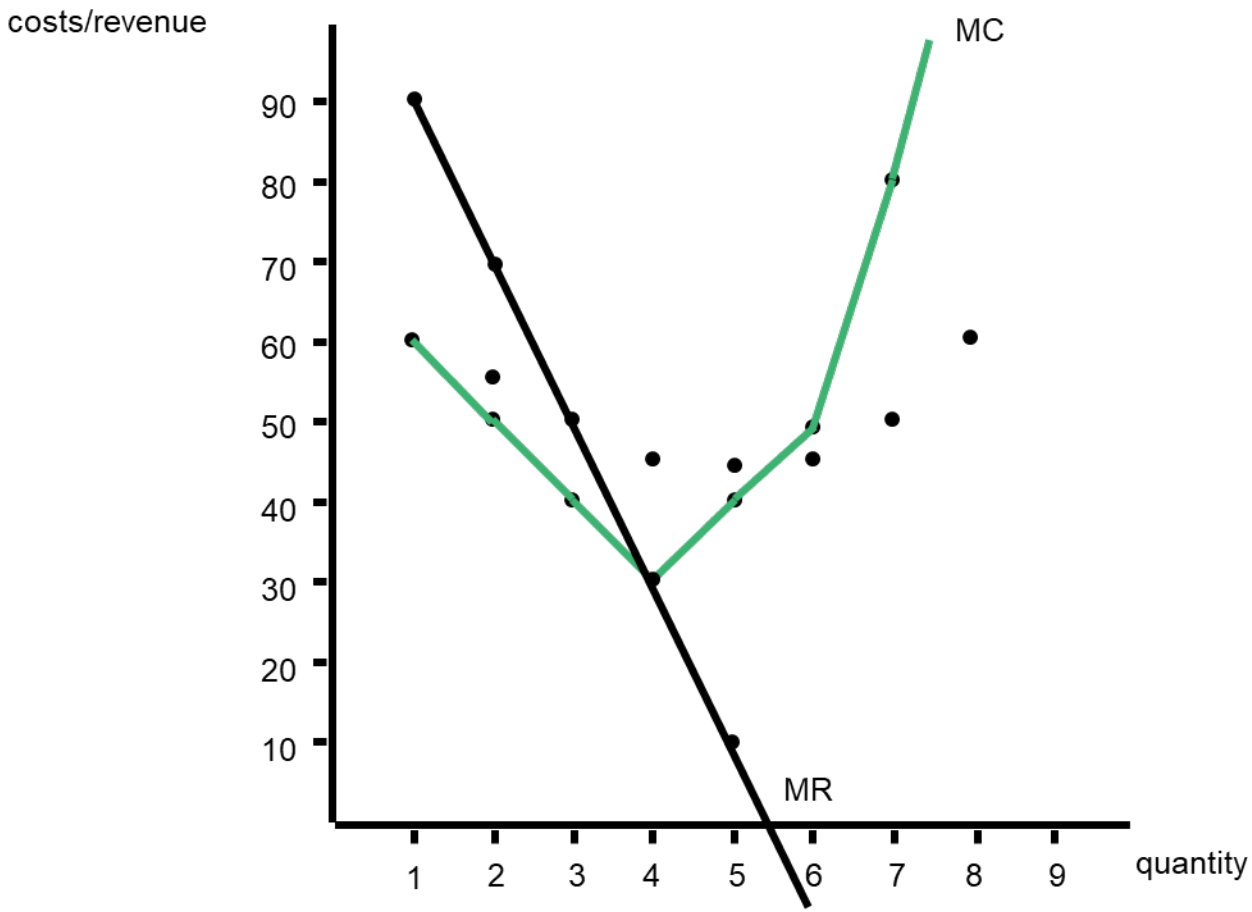
Step 3: Plot Marginal Cost



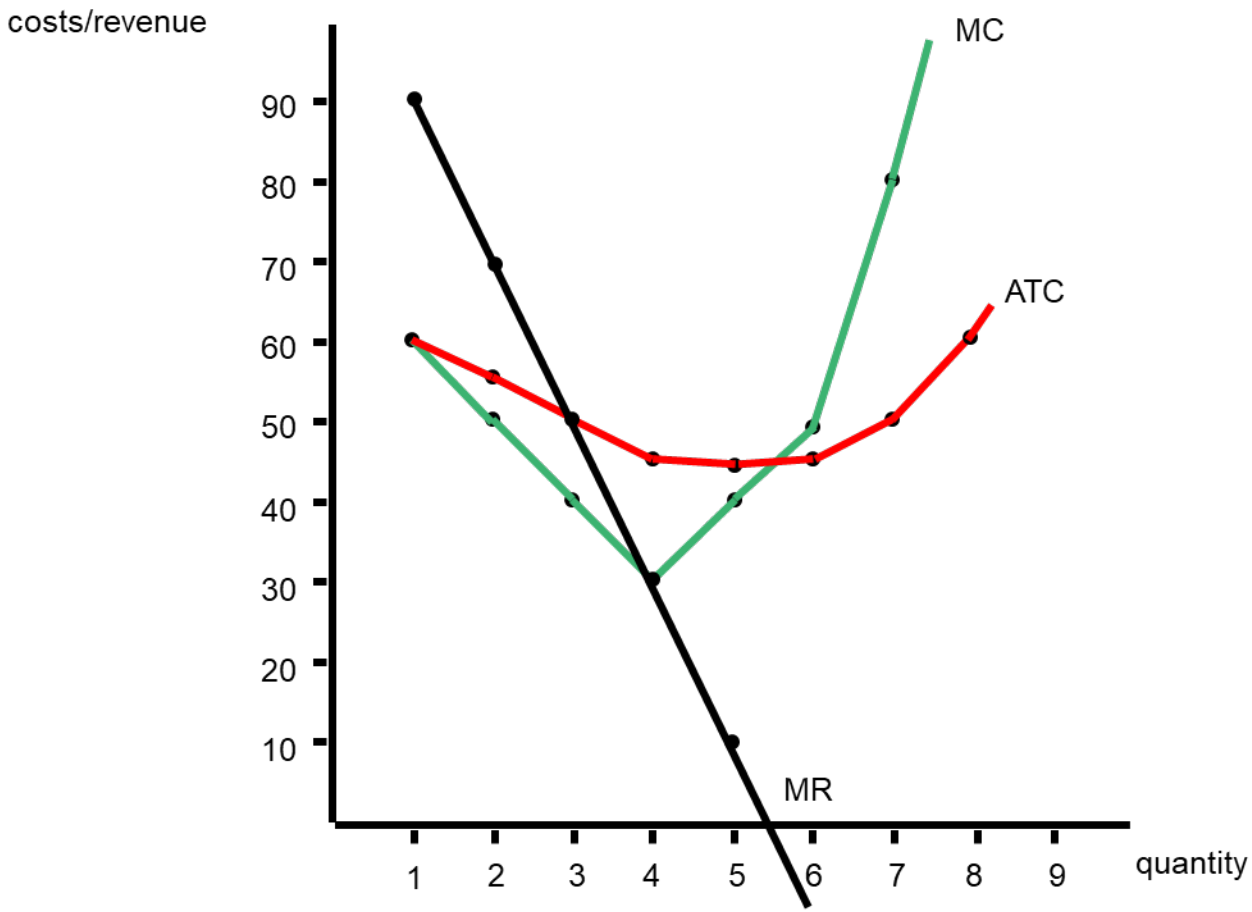
Marginal Cost



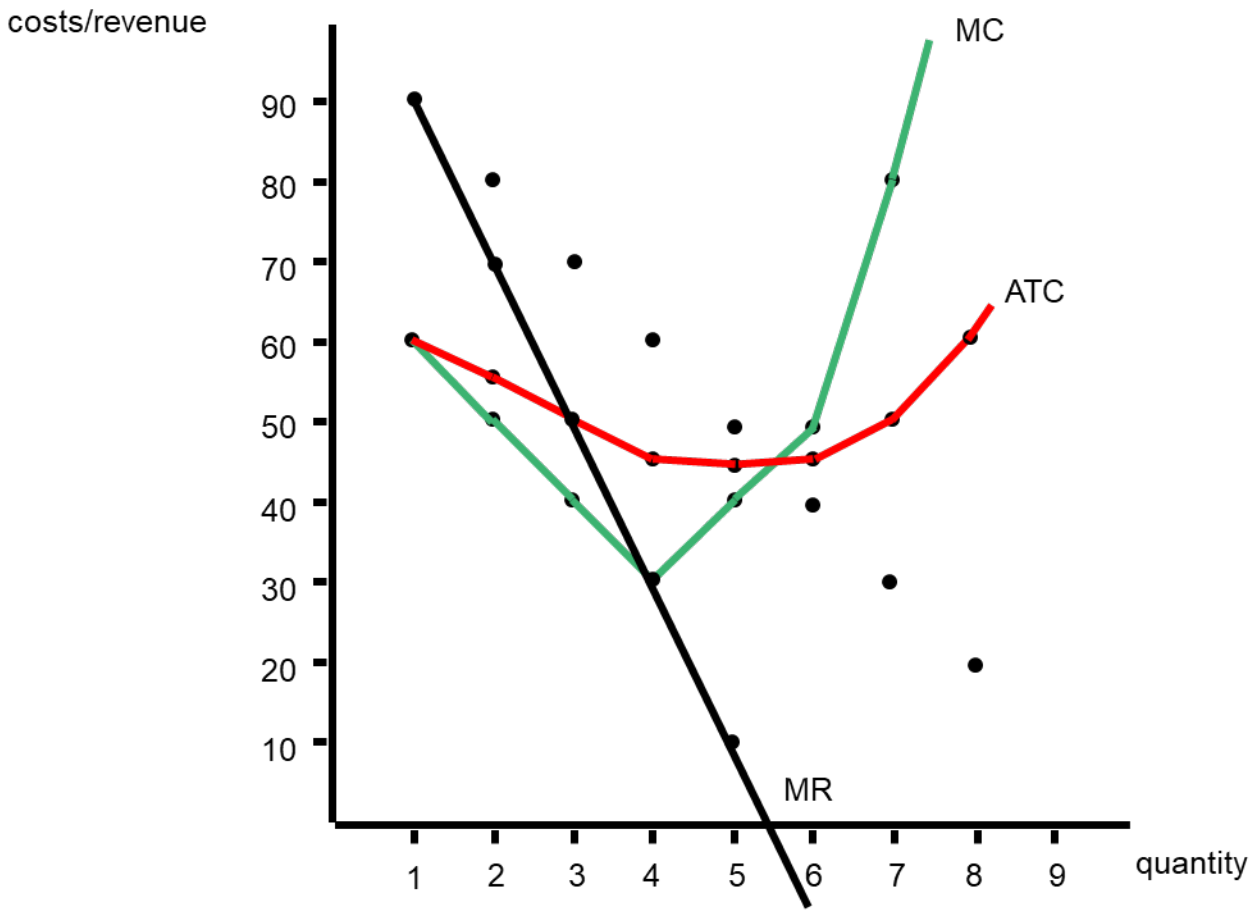
Step 4: Plot Average Total Cost



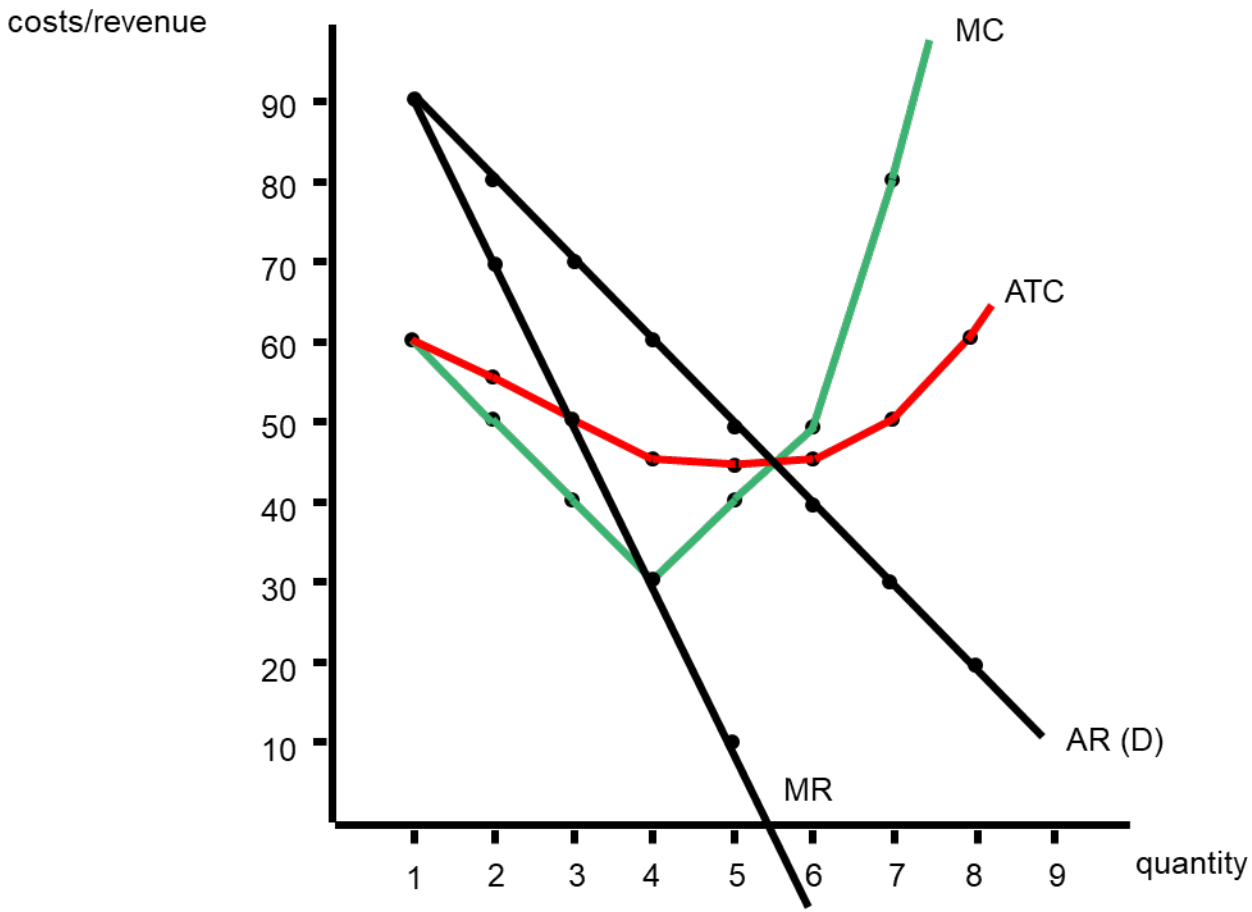
Average Total Cost



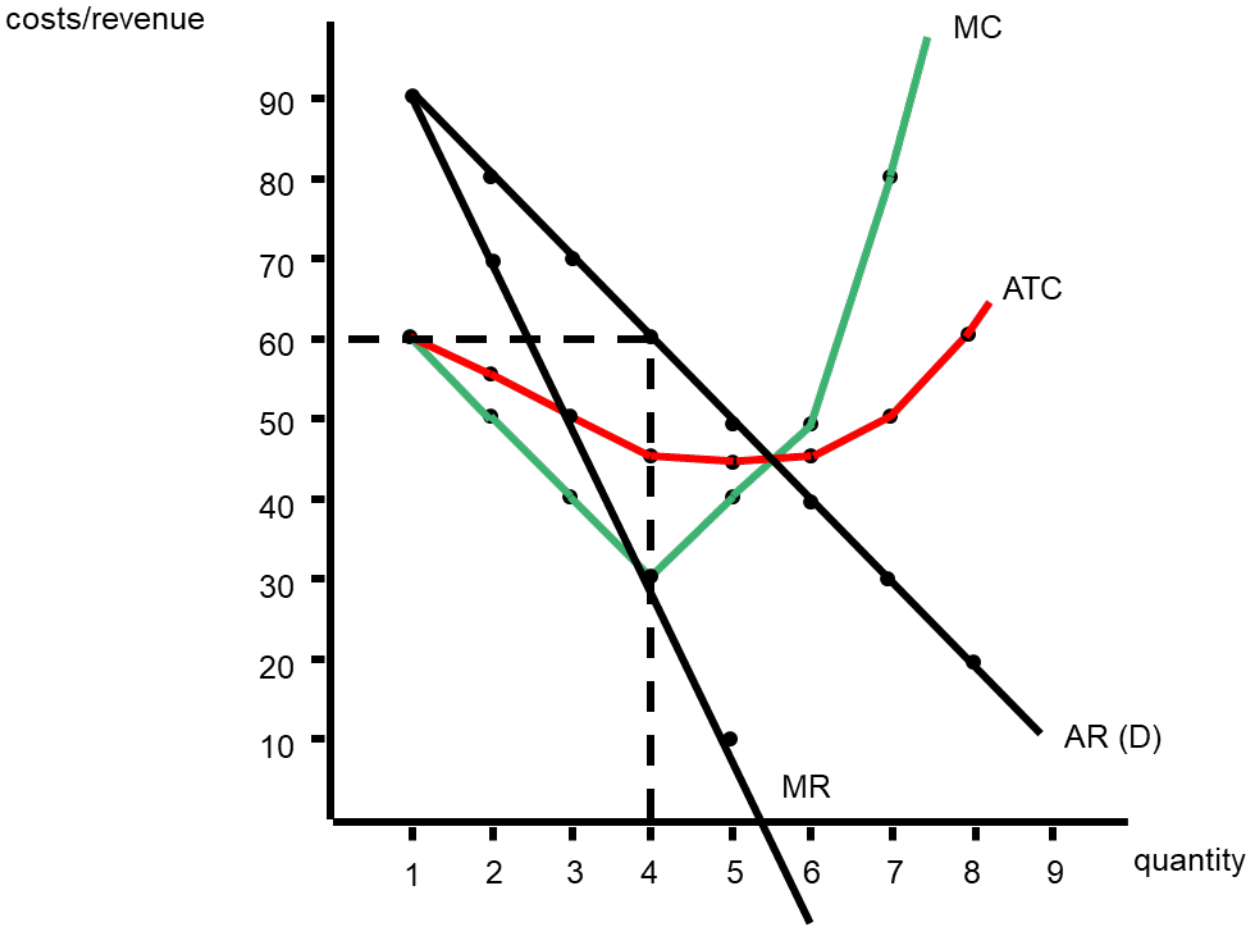
Step 5: Plot Average Revenue



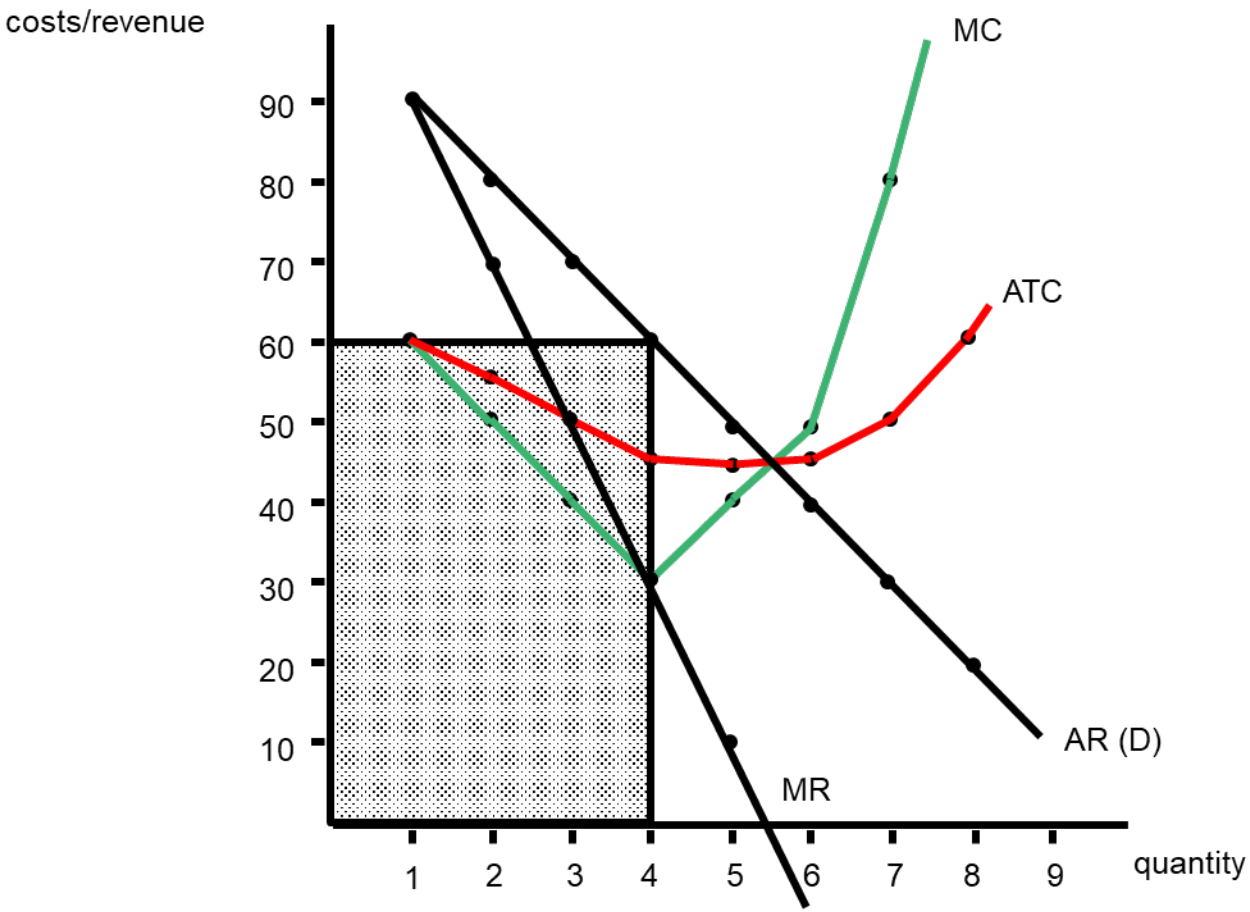
Average Revenue = Demand Curve



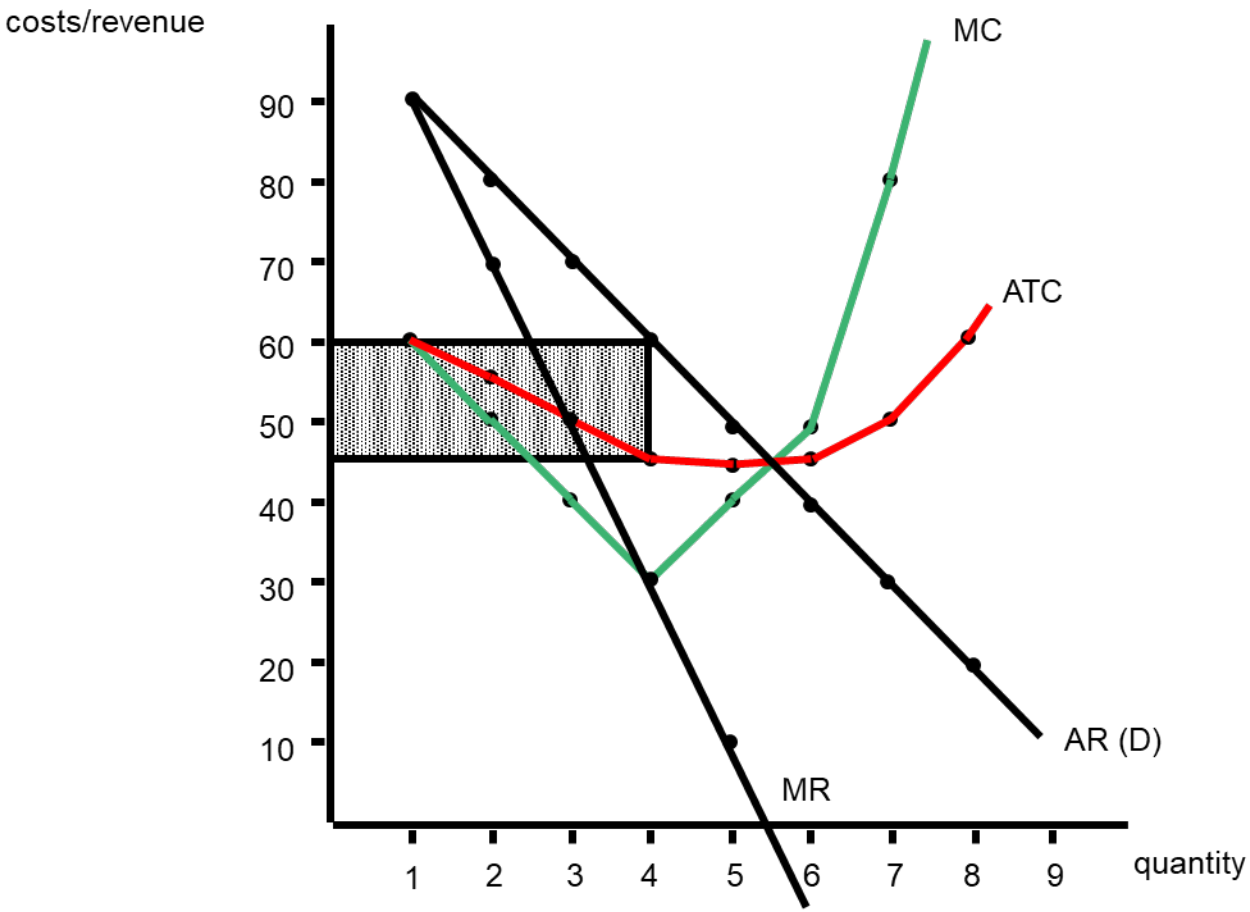
Step 6: Determine Profit Maximizing Output / Price
Find where MR intersects w/ MC (Quantity 4)
Price where quantity intersects w/ AR-D ($60)



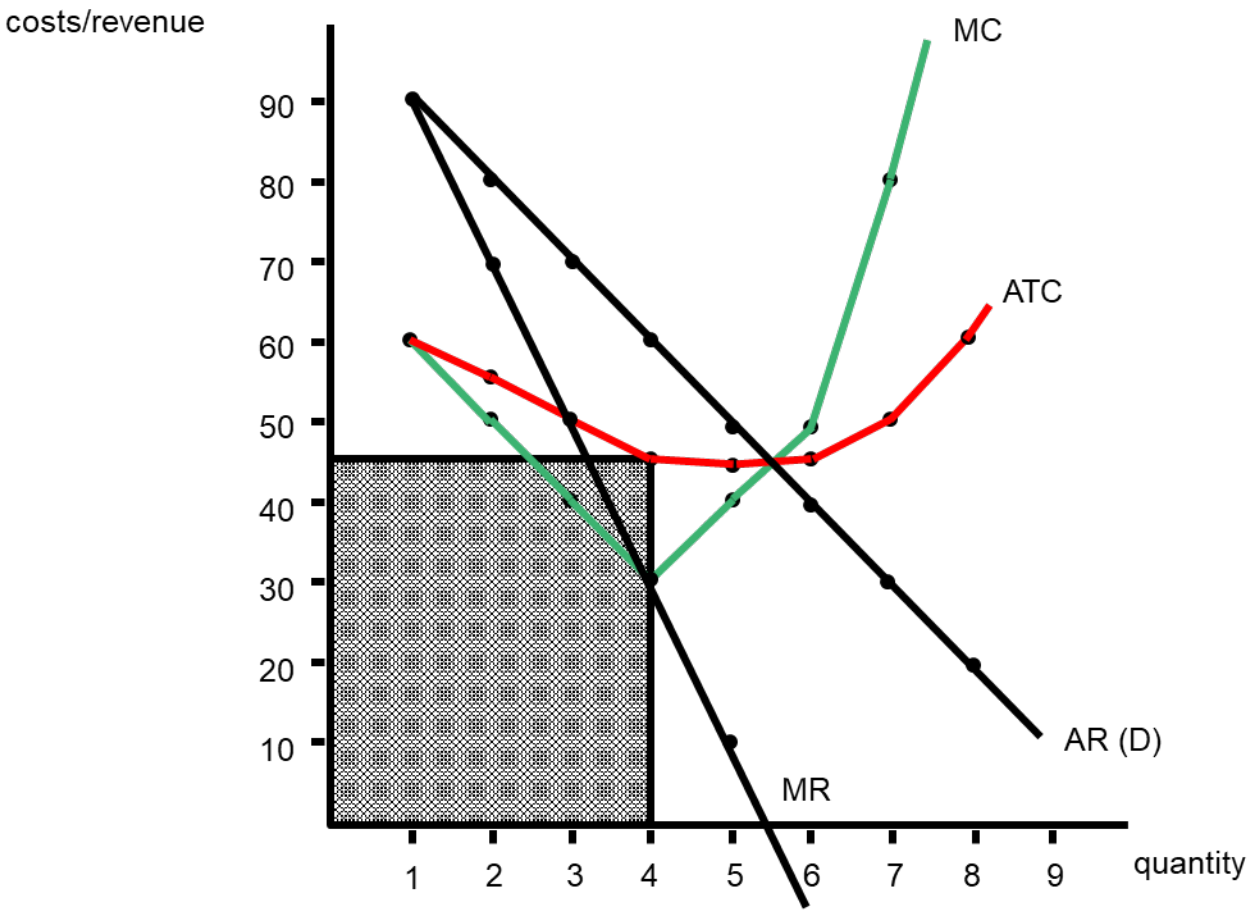
Step 7: Determine Total Revenue of Monopolist
$60 x 4 = $240



Step 8: Determine Total Profit of Monopolist
$15 x 4 = $60



Step 9: Determine Total Cost of Monopolist
$45 x 4 = $180



Step 10: Determine Deadweight Loss

Area of triangle between profit maximizing quantity for firm & socially optimal quantity