



Market Structures

Monopoly

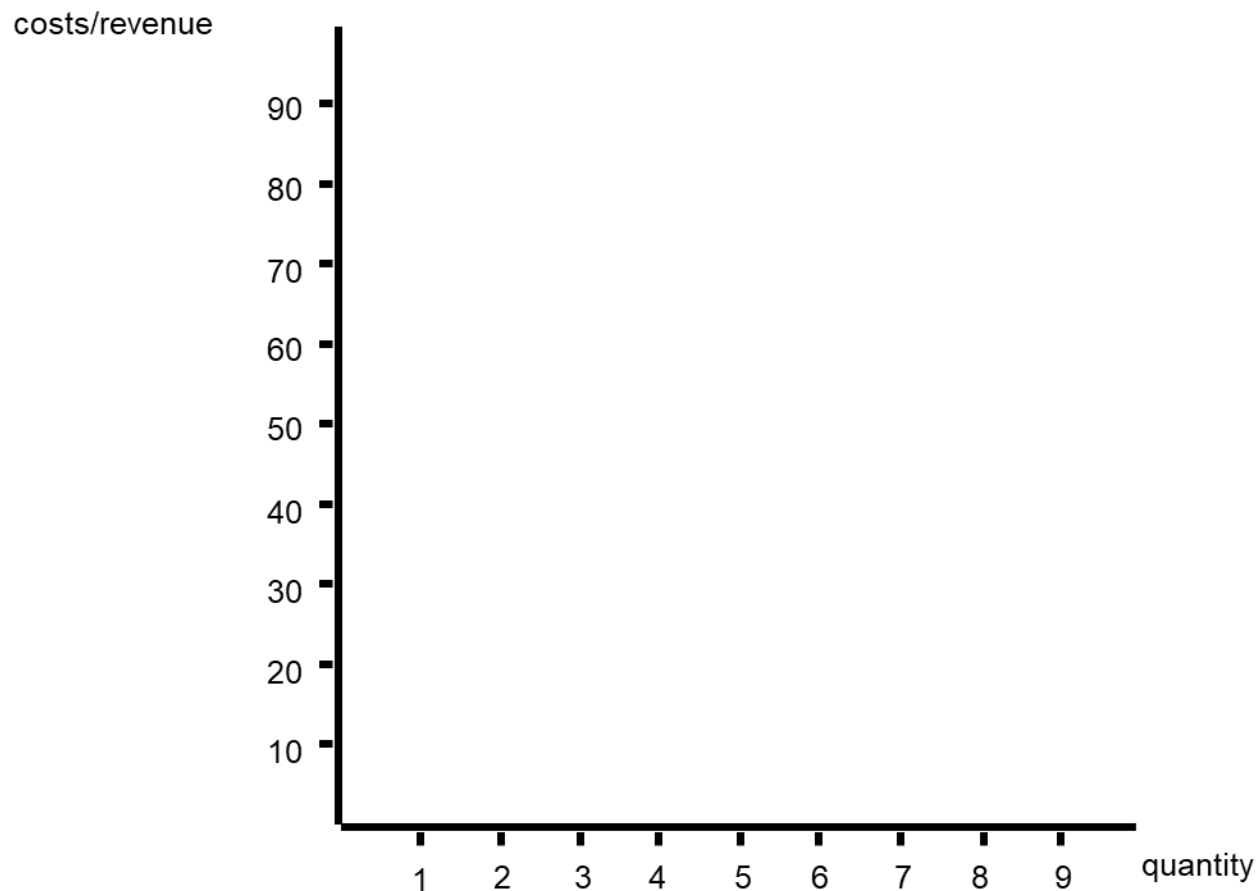
Table of Contents

- Slide 3 presents a table that can be printed for each student. For best results, use "landscape" page orientation.
- Slides 4 through 12 plots and draws marginal revenue, marginal cost, average total cost, and average revenue (demand), respectively.
- Slide 13 presents the profit maximizing output and price for the monopolist.
- Slide 14 presents the total revenue received by the monopolist.
- Slide 15 presents the economic profit received by the monopolist.
- Slide 16 presents the total costs for the monopolist.
- Slide 17 presents deadweight loss

Quantity / Cost / Revenue Schedule

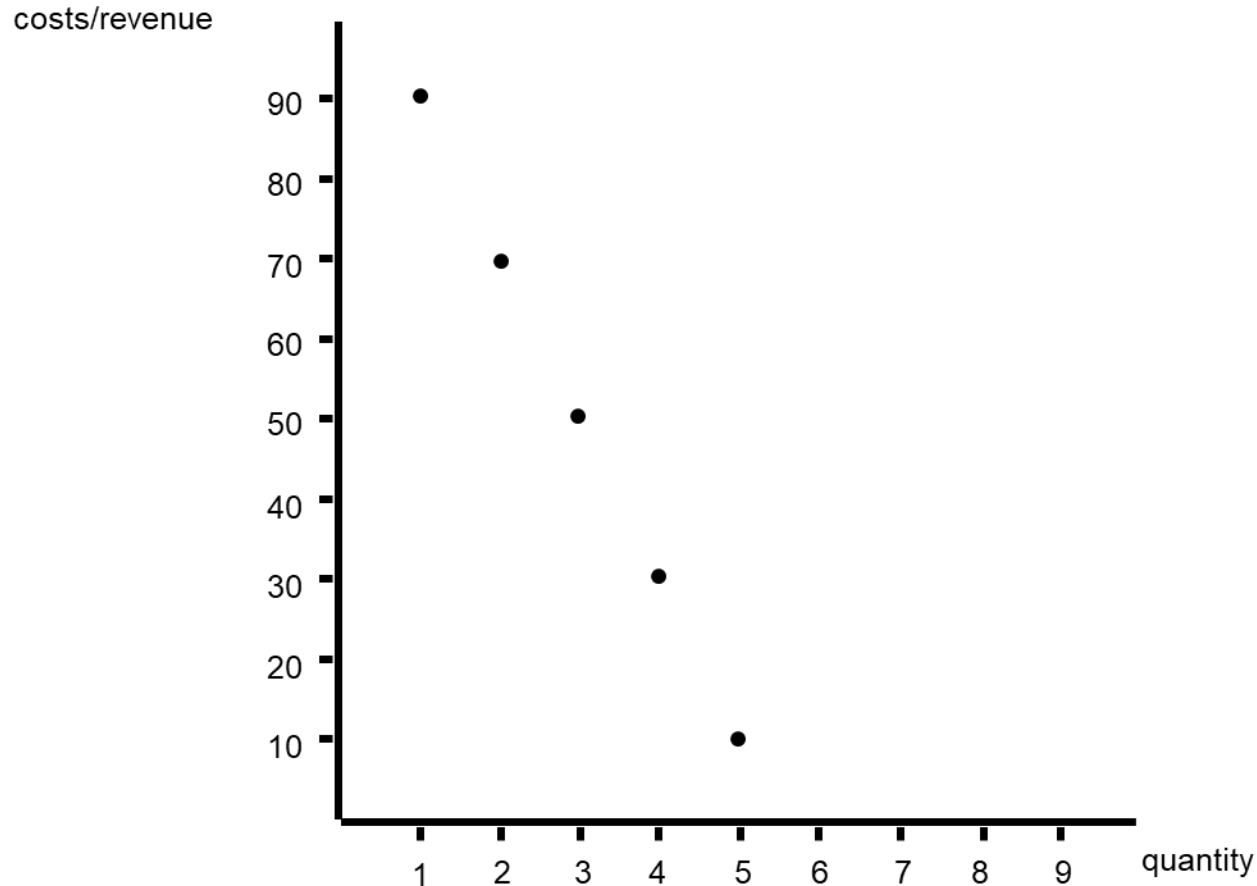
Q	TC	MC	ATC	TR	MR	AR
0	0					
1	60	60	60	90	90	90
2	110	50	55	160	70	80
3	150	40	50	210	50	70
4	180	30	45	240	30	60
5	220	40	44	250	10	50
6	270	50	45	240	-10	40
7	340	80	50	210	-30	30
8	480	140	60	160	-50	20

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

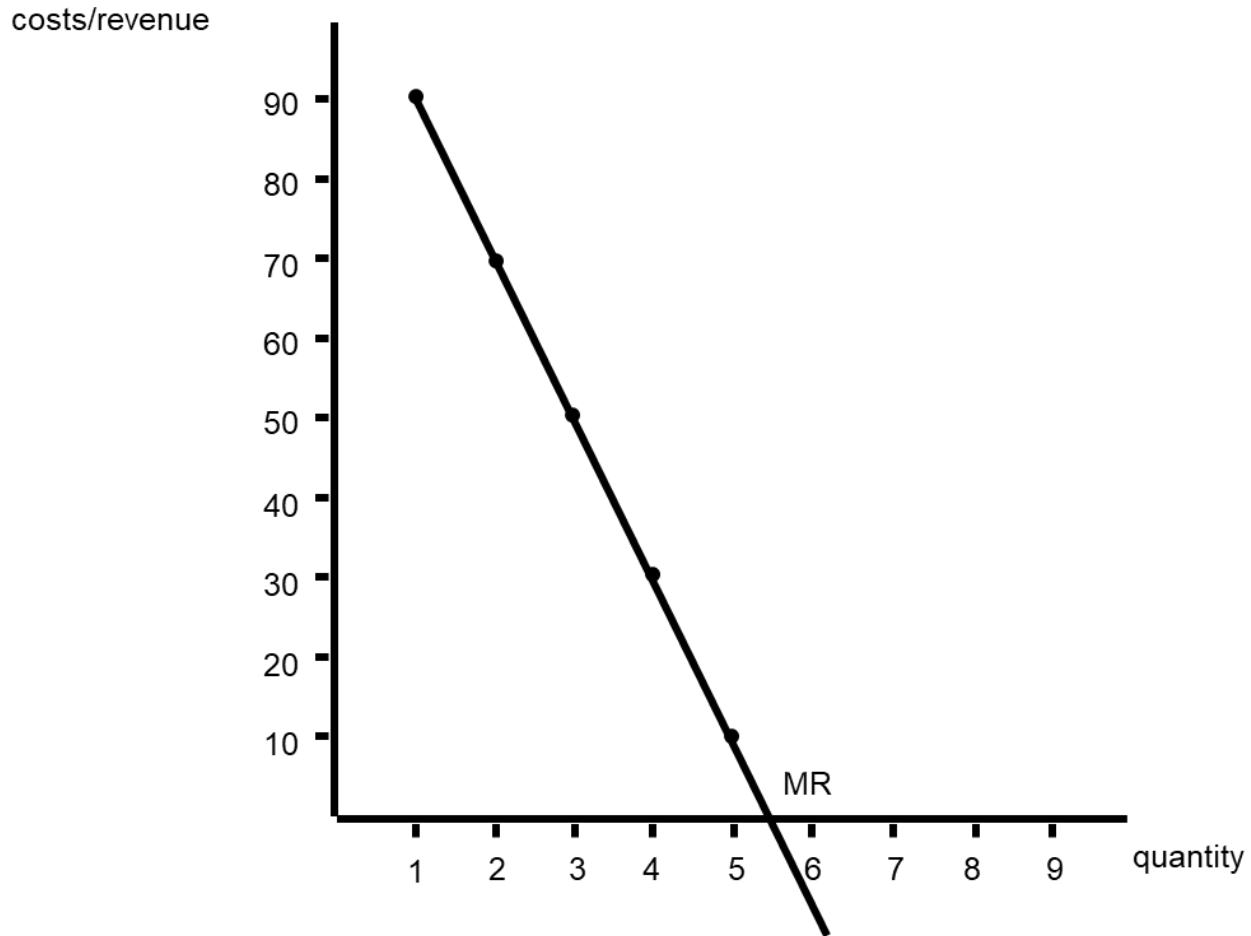


Step 2: Plot Marginal Revenue

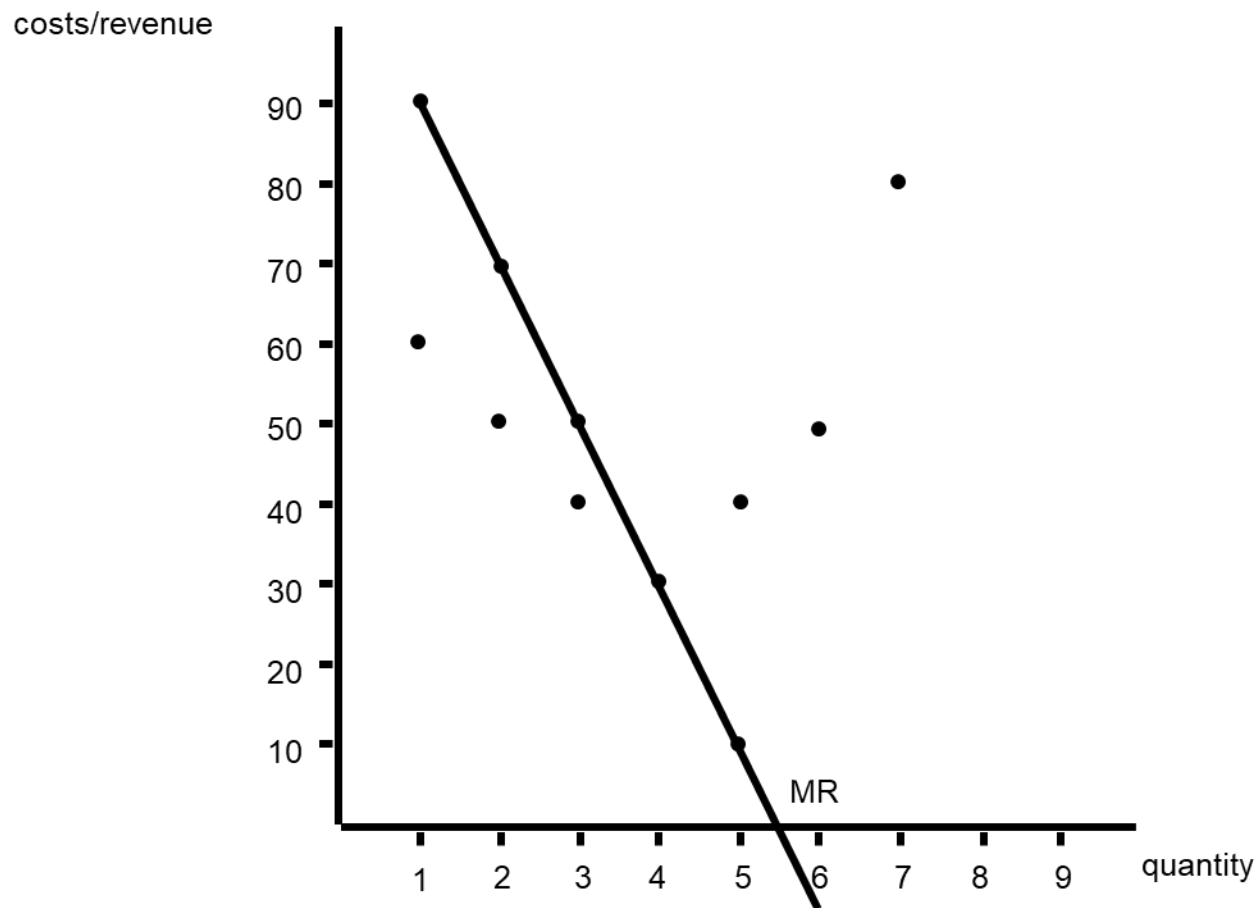
(NOTE: It is necessary to draw MR line below X-Axis, but not required to plot points below X-Axis)



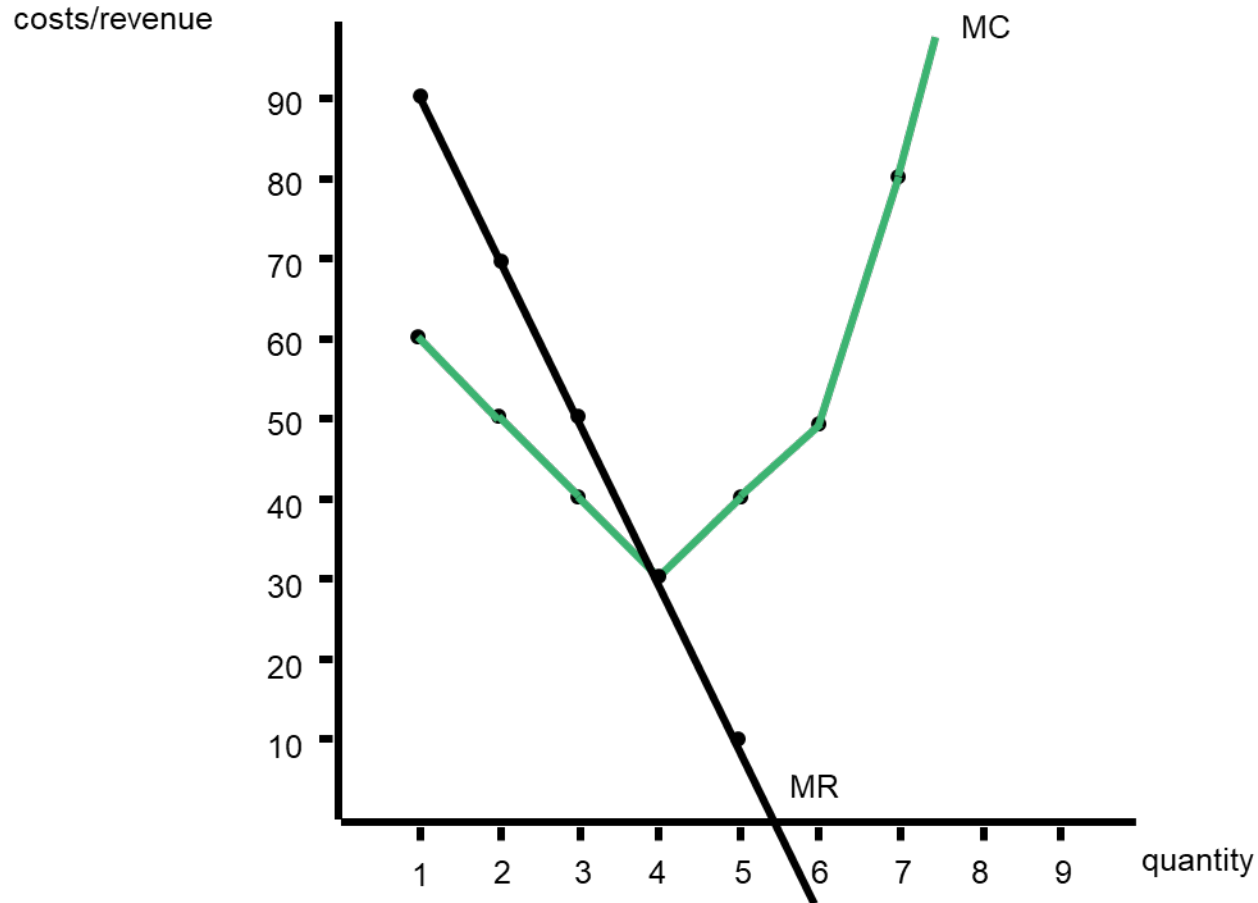
Marginal Revenue



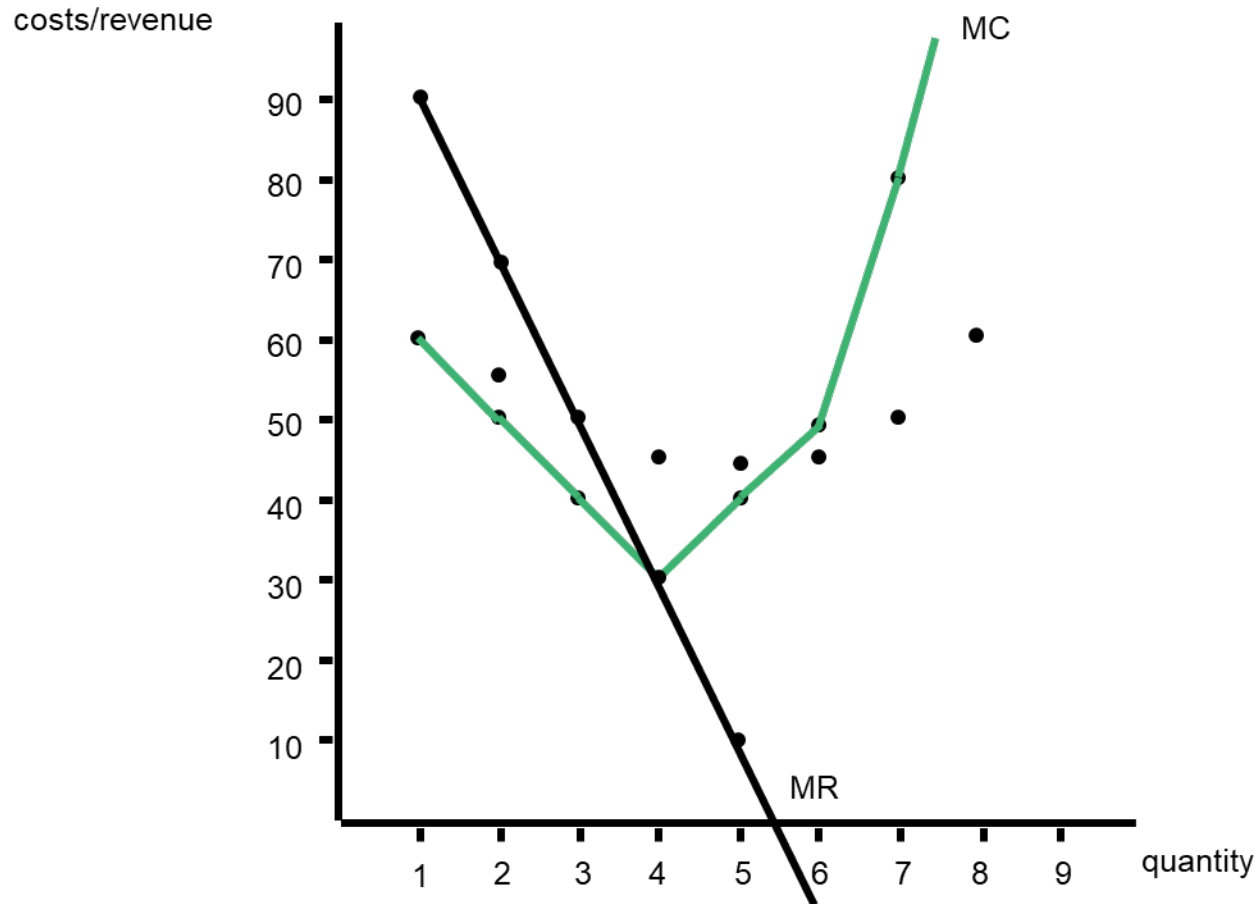
Step 3: Plot Marginal Cost



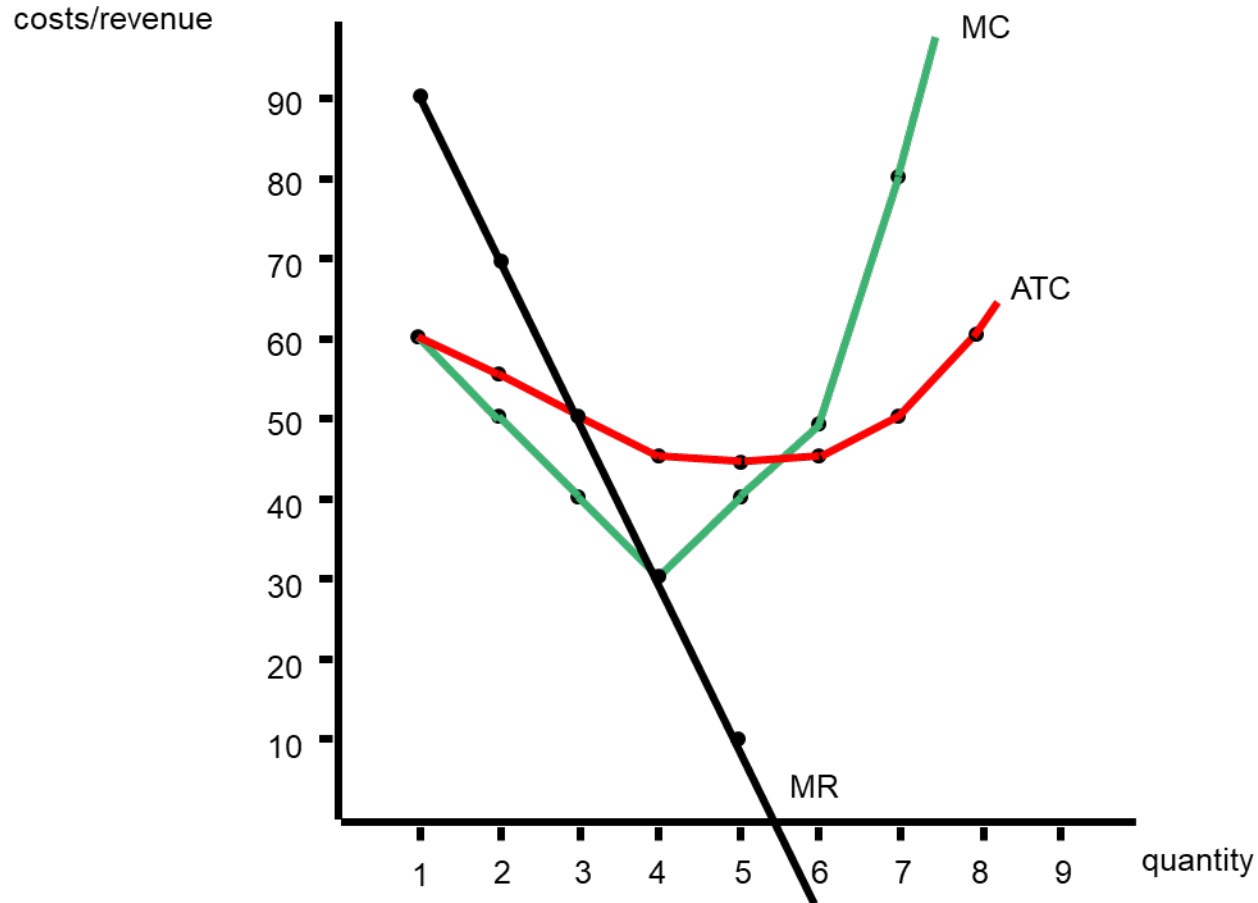
Marginal Cost



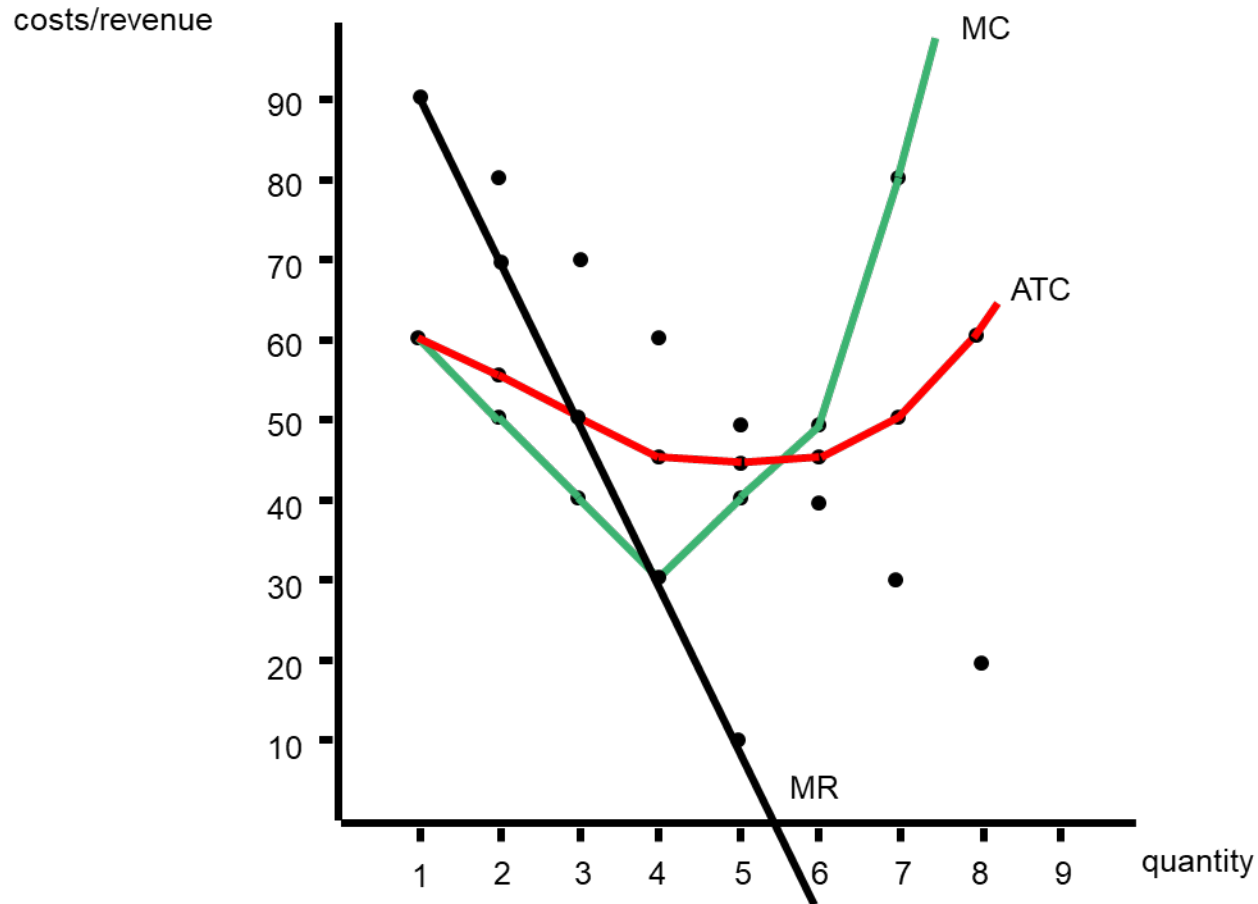
Step 4: Plot Average Total Cost



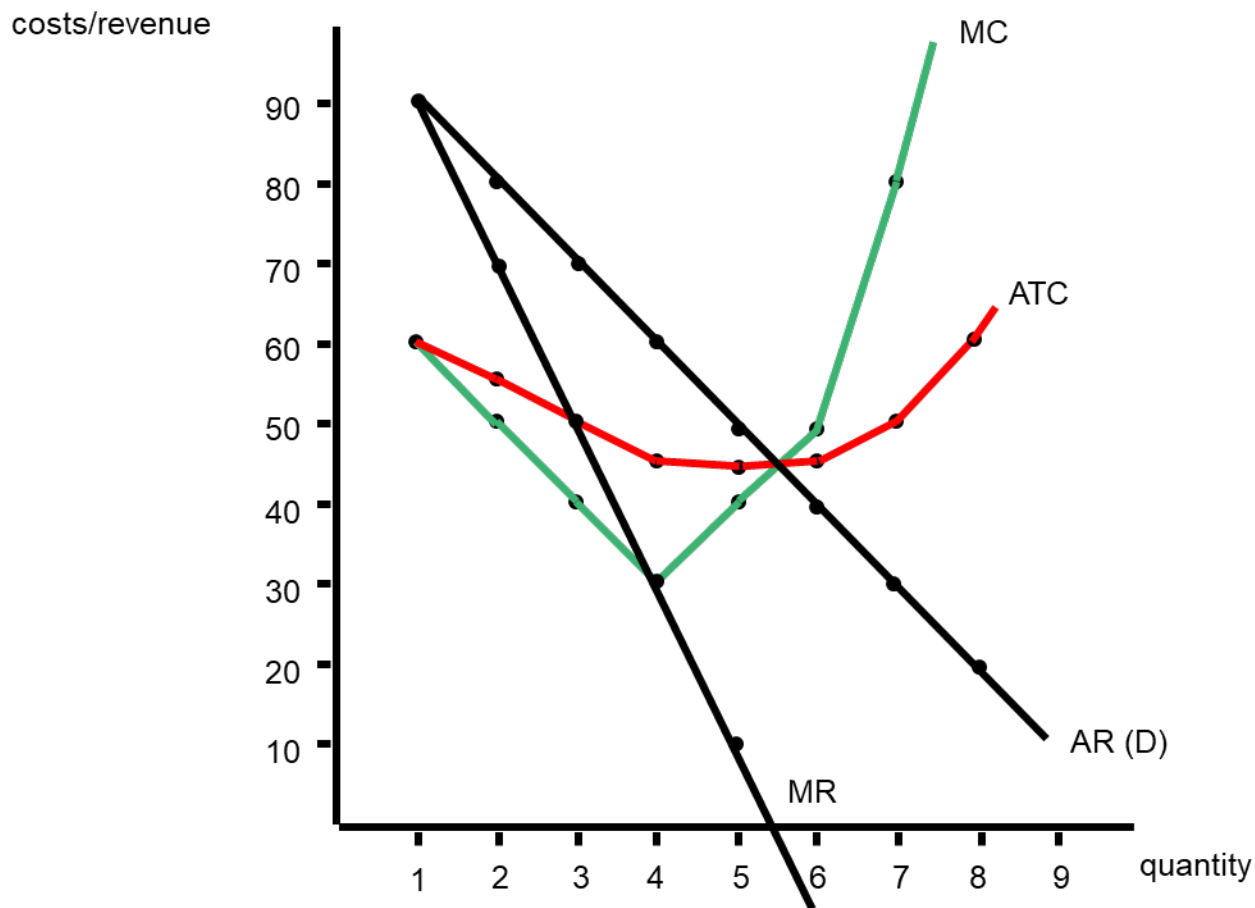
Average Total Cost



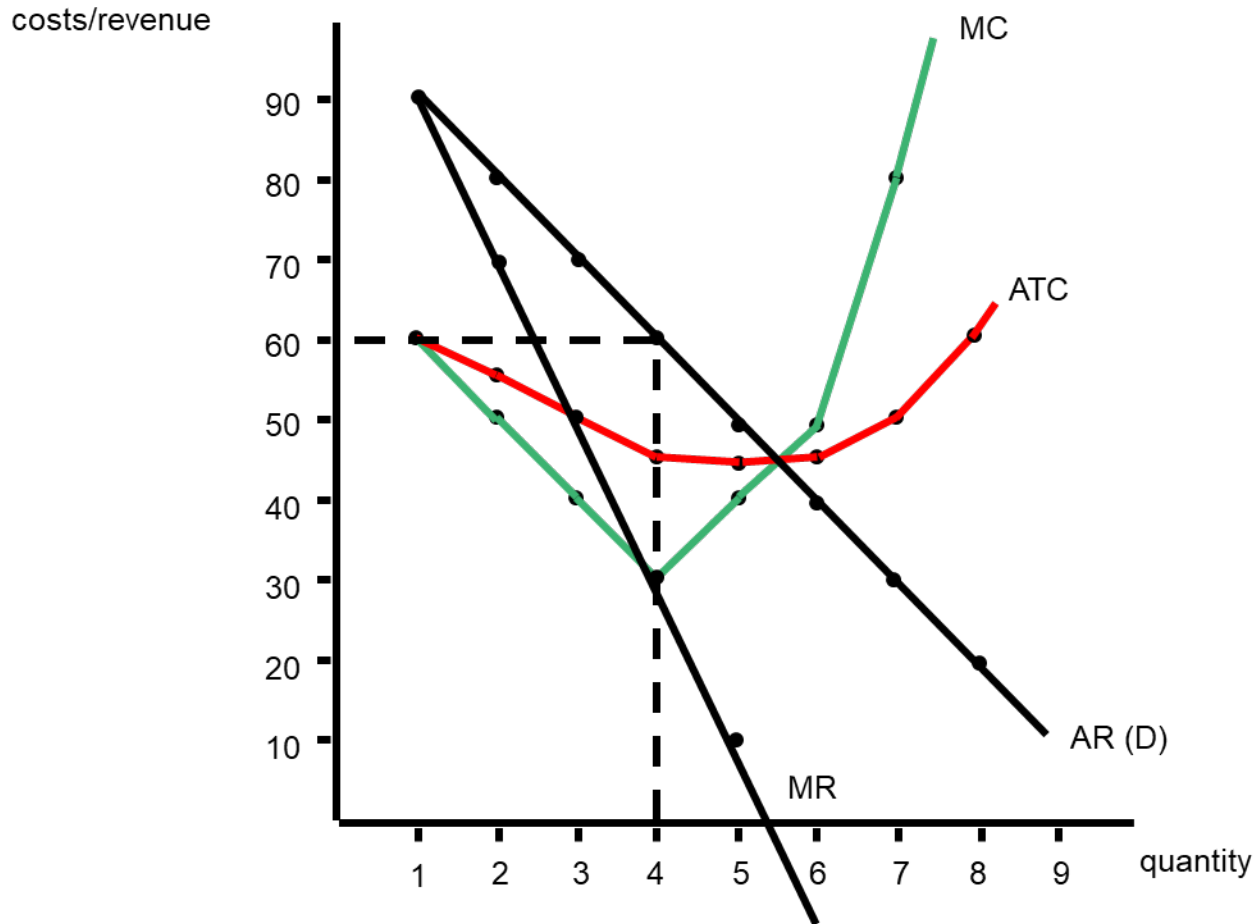
Step 5: Plot Average Revenue



Average Revenue = Demand Curve

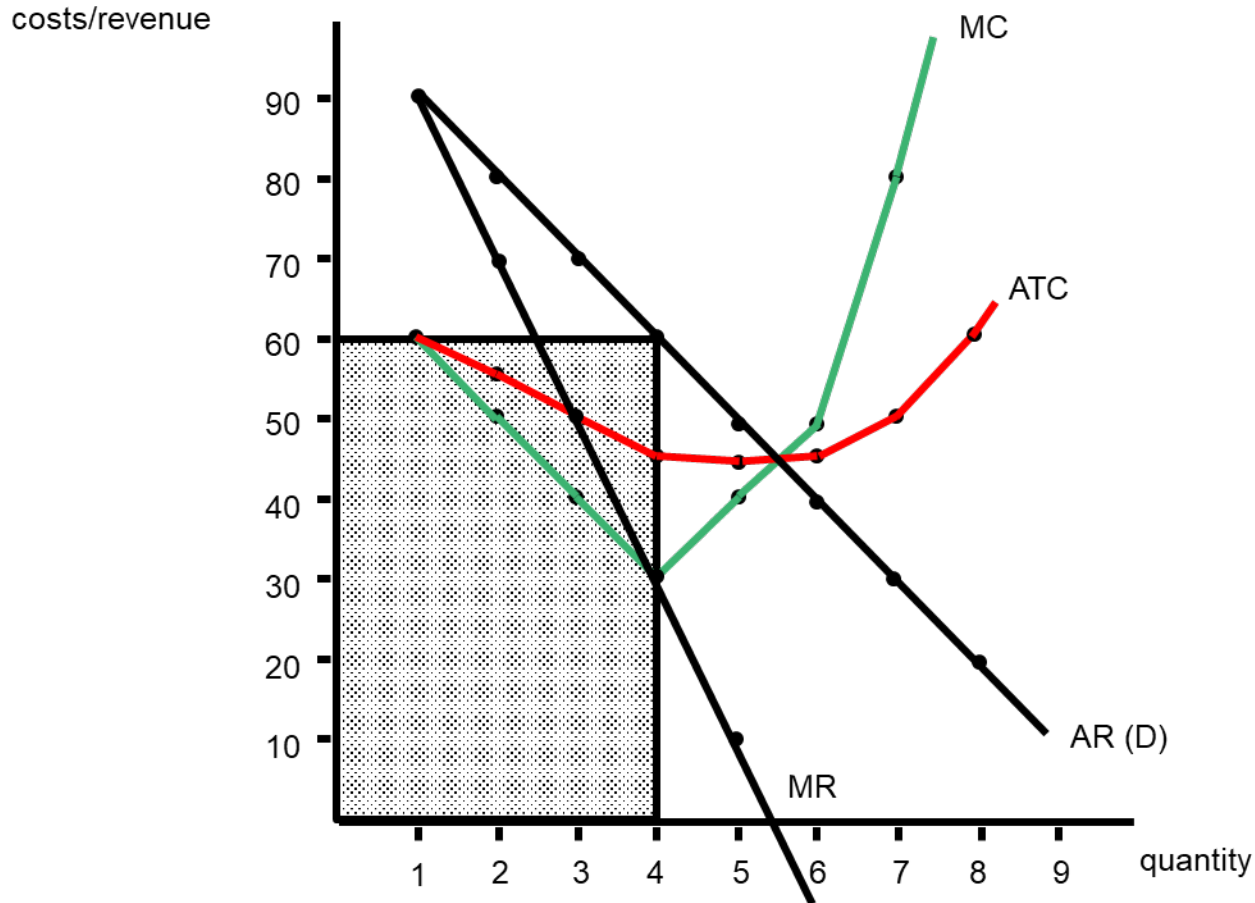


Step 6: Determine Profit Maximizing Output / Price
Find where MR intersects w/ MC (Quantity 4)
Price where quantity intersects w/ AR-D (\$60)



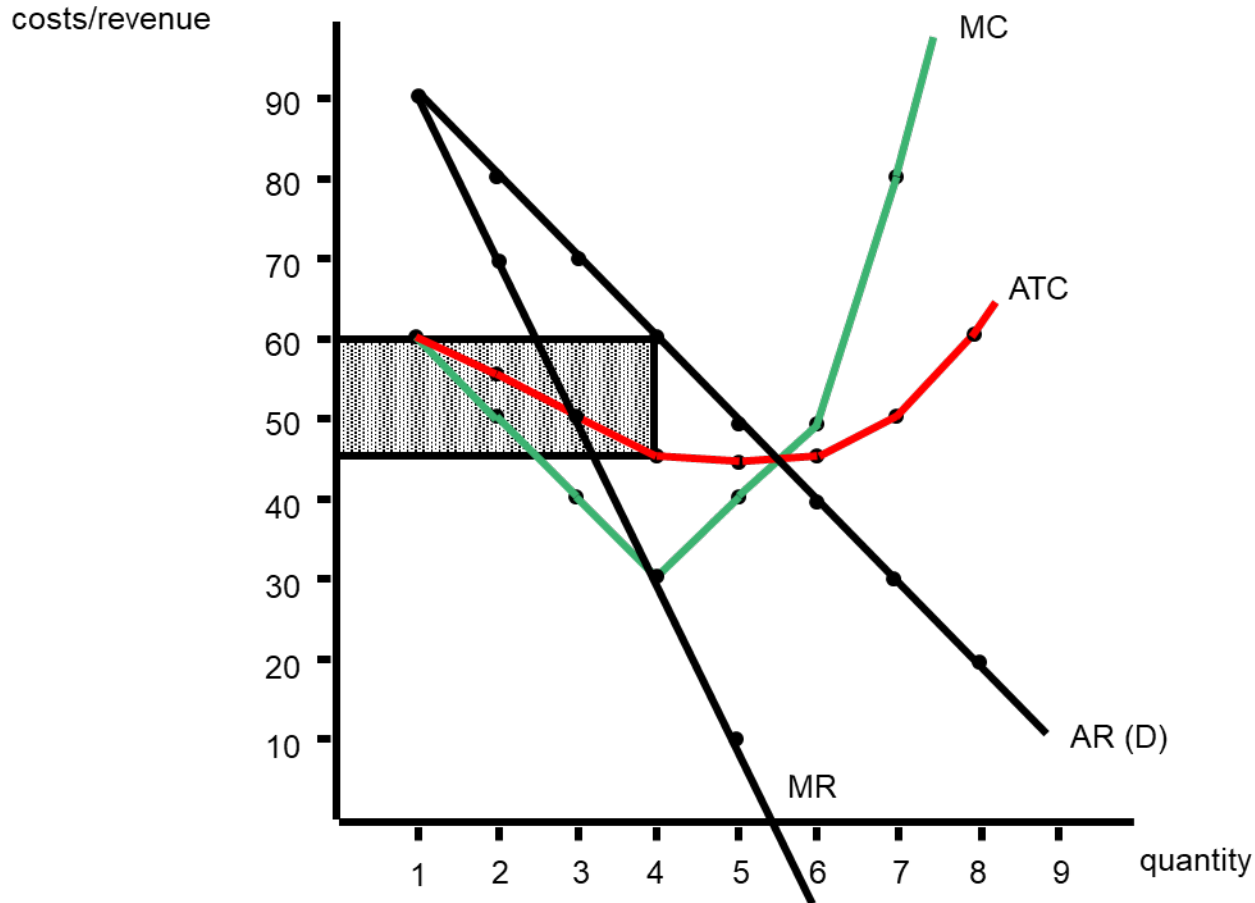
Step 7: Determine Total Revenue of Monopolist

$\$60 \times 4 = \240



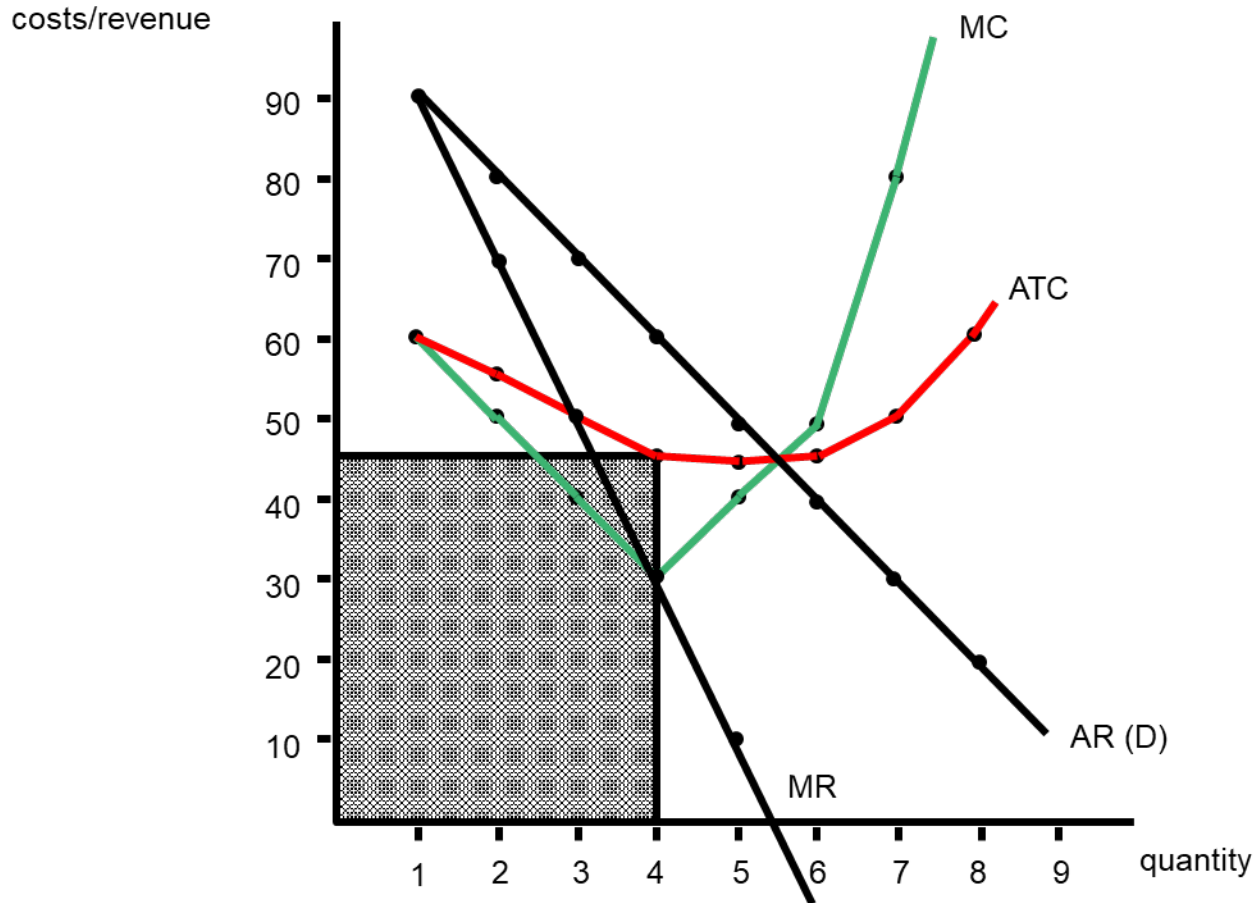
Step 8: Determine Total Profit of Monopolist

$\$15 \times 4 = \60



Step 9: Determine Total Cost of Monopolist

$\$45 \times 4 = \180



Step 10: Determine Deadweight Loss

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

