

Monopoly Pricing

Part A

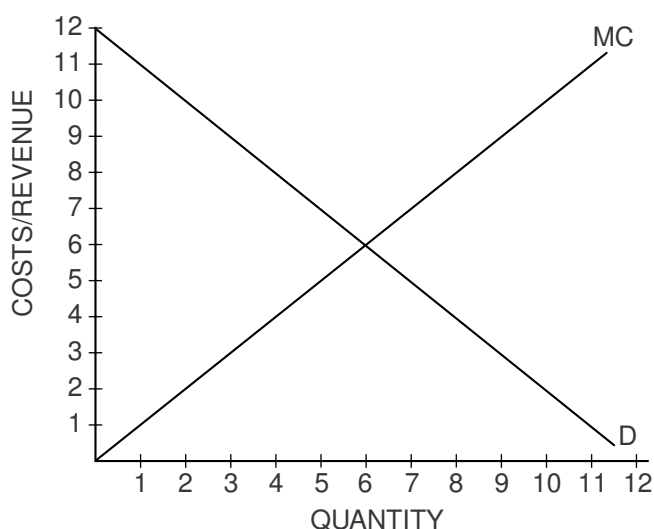
Equilibrium for the Perfectly Competitive Industry

Consider Figure 34.1. Assume that the market described by the figure is perfectly competitive, and MC represents the horizontal summation of marginal cost curves and, therefore, the market supply curve. Use Figure 34.1 to answer the following questions.



Figure 34.1

Perfect Competition



1. What quantity of output will be produced? _____
2. What price will the market establish? _____
3. Calculate the amount of the consumer surplus. Darkly shade the area of consumer surplus.
4. Calculate the amount of the producer surplus. Lightly shade the area of producer surplus.

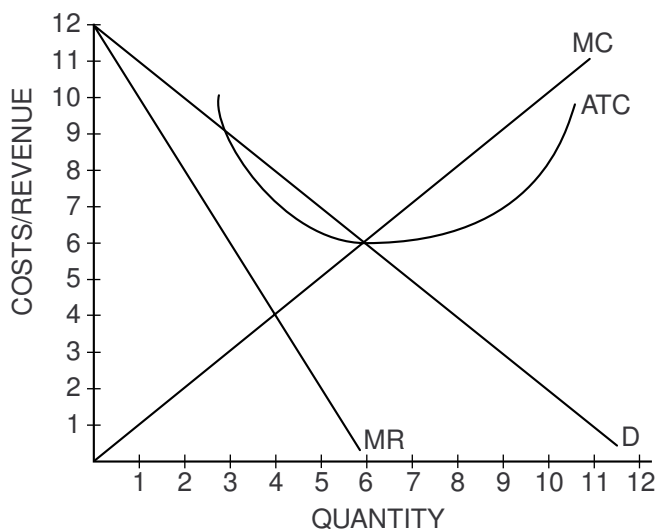
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Part B

Equilibrium for the Monopolist

Now consider the same demand and cost curves, but assume the market is a monopoly. Therefore, MR represents the monopolist’s marginal revenue curve and MC represents the monopolist’s marginal cost curve. Using Figure 34.2, answer the following questions.

* Figure 34.2
Monopoly



5. What quantity of output will be produced? _____ Why?

6. What price will the monopolist establish? _____ Why?

7. Calculate the amount of the consumer surplus. Darkly shade the area of consumer surplus.

8. Calculate the amount of the producer surplus. Lightly shade the area of producer surplus.

