

Welcome

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MONOPOLY

—the exclusive possession or control of supply or trade in a commodity or service.



Price Ditermination Under Monopoly in Short run & Long run

Monopoly

- Definition

In market structure characterized by a single seller, and seller is a price maker.

In monopoly market seller face no competition for her soled goods

“A pure monopoly exists when there is only one producer in the market. There are no dire competitions.” –Ferguson

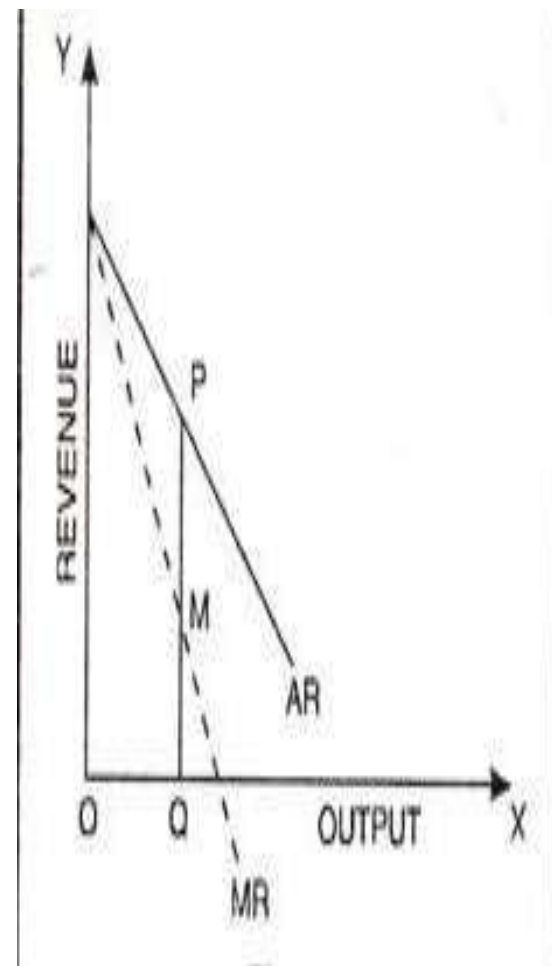
Examples: Microsoft and Windows, Diamonds and syour local natural gas company.

Features of Monopoly

- Single Seller
- Price Maker
- No Close Substitutes
- Difficulty of Entry of New Firms
- No Advertisement Cost
- Downward Sloping Demand Curve

Revenue Curve Under Monopoly market

Price (P)	Quantity (Q)	Total Revenue (TR)	Average Revenue (AR)	Marginal Revenue (MR)
10	1	10	10	-
9	2	18	9	8
8	3	24	8	6
7	4	28	7	4
6	5	30	6	2
5	6	30	5	0



Price Determination Under Monopoly Market

- Prof. Marshall has stated that monopolist wants to earn “**Maximum Monopoly Gain**” by selling his goods.
- Monopoly market every seller wants to earn maximum profit
- Conditions of Equilibrium
- Short run

1. **MC = MR**

2. **MC cut to MR from below the line**

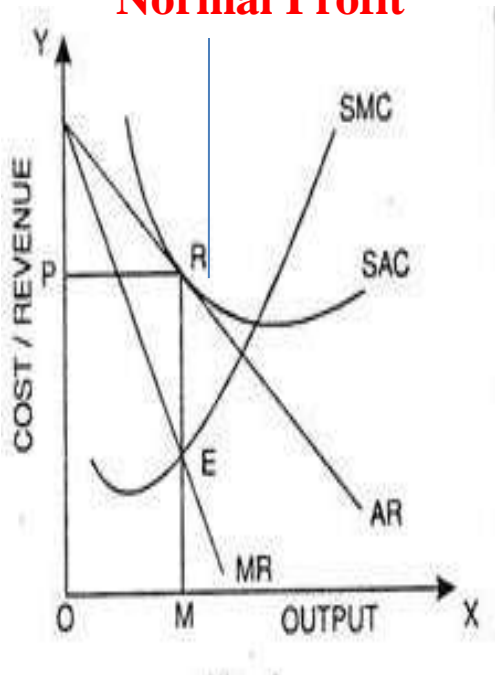
- Long run Equilibrium of firm

1. **LMC = SMC = MR**

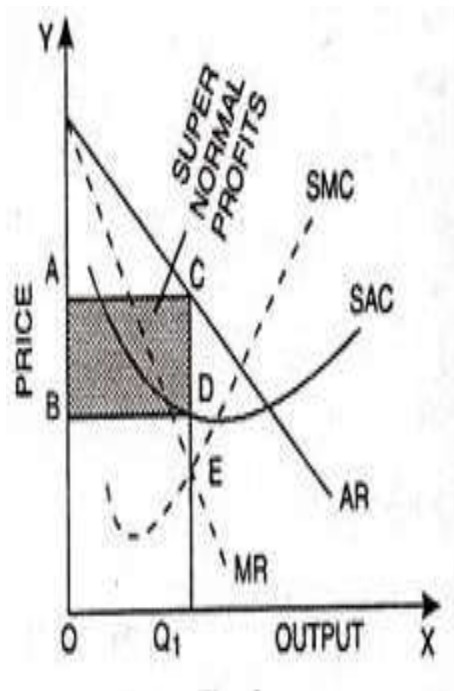
2. **LMC cut to MR from below the line**

Short run Equilibrium of Monopoly Market

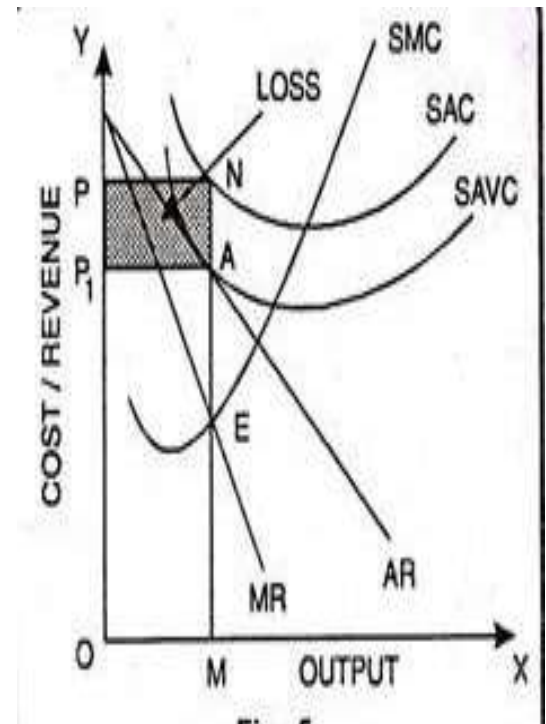
Normal Profit



TR = TC

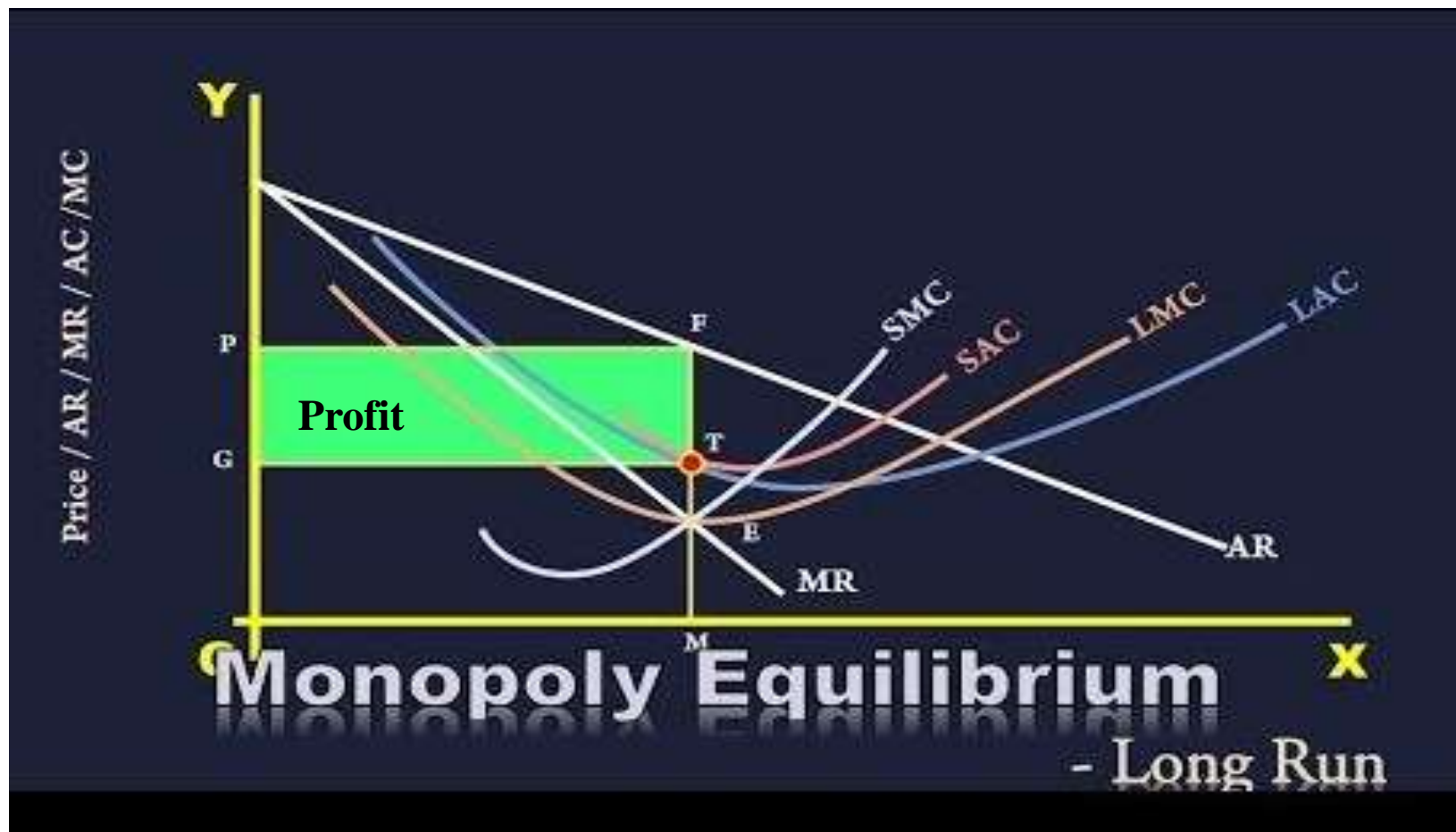


TR > TC



TR < TC

Long run Equilibrium Under Monopoly



Thank You