

## Review Notes – Monopoly

---

- What is a monopoly market?
    - definition
      - large number of potential buyers but only one seller
      - homogenous product (every firm produces the same product)
      - buyers are small relative to the market but the seller is the market
      - barriers to entry
    - examples of monopolies
    - demand in a monopoly market
      - market demand
      - firm demand
- 
- Short-run pricing and output
  - profit maximization for a monopolist
    - monopolists also produce where marginal revenue equals marginal cost
      - what is marginal and average revenue for a monopolist?
      - graphical (for a monopolist)
        - what is total profit?
          - what is total revenue?
          - what is total cost?
  - loss minimization for the monopolist
    - suppose profit  $< 0$ ? when will the firm shutdown?
    - what is the firm's short-run supply curve?
    - what is the industry's short-run supply curve?
- 
- The long-run in monopoly markets
  - entry into the market is not possible in the long-run for monopolized industries as long as they have barriers to entry
    - artificial barriers to entry
      - legal barriers
      - illegal barriers
    - natural barriers to entry
      - natural monopoly
- 
- Definitions of Efficiency
  - technological efficiency
  - allocative efficiency
-

- Evaluating Perfectly Competitive and Monopoly Markets
    - perfectly competitive markets
      - technological efficiency
      - allocative efficiency
    - monopoly markets
      - technological efficiency
      - allocative efficiency
    - public policy given this analysis (i.e., Antitrust and Regulation)
    - Exceptions to the Analysis
      - Exceptions cover two possibilities (we did not cover as much as was in the on-line reading.)
        - Perfect Competition is not as efficient as the analysis suggests
        - Monopoly is not as inefficient as the analysis suggests
-