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