

EC 131 - Lecture 13

Boston College
Department of Economics

Inacio Guerberoff Lanari Bo

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Textbook readings: Chapter 15

1 Monopoly

- Price maker/price taker
- Origin of a monopoly: barriers to entry
 - Ownership of key resources
 - Government-created monopolies (including patents and copyright)
- Marginal revenue
 - Decreasing
 - Always below demand curve
- Price change effects
 - Output effect
 - Price effect
- Profit maximization ($MR = MC$)
- Fact that $P^* > MR = MC$, whereas in perfect competition $P^* = MR = MC$
- Welfare considerations
 - MC curve instead of market supply curve for welfare considerations
 - Monopoly induced deadweight loss
- Algebraic treatment of perfect competition and Monopoly (long and short-run)