

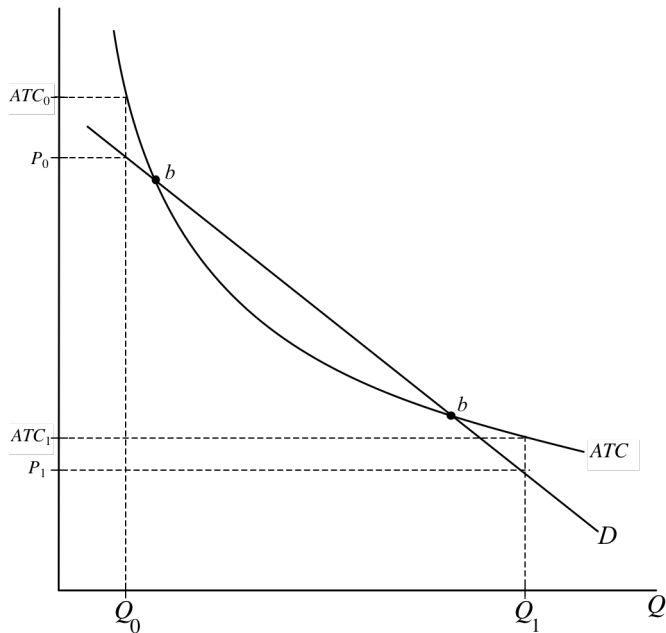
Major Industry Structures

- ① One Firm — Monopoly
- ② More than one firm
 - Collusion — many types
 - Competition — many types
 - Competitive Oligopoly — a few firms
 - Perfect Competition — many firms
 - Other types of Competition

MONOPOLY

When will a firm have a Monopoly in a market?

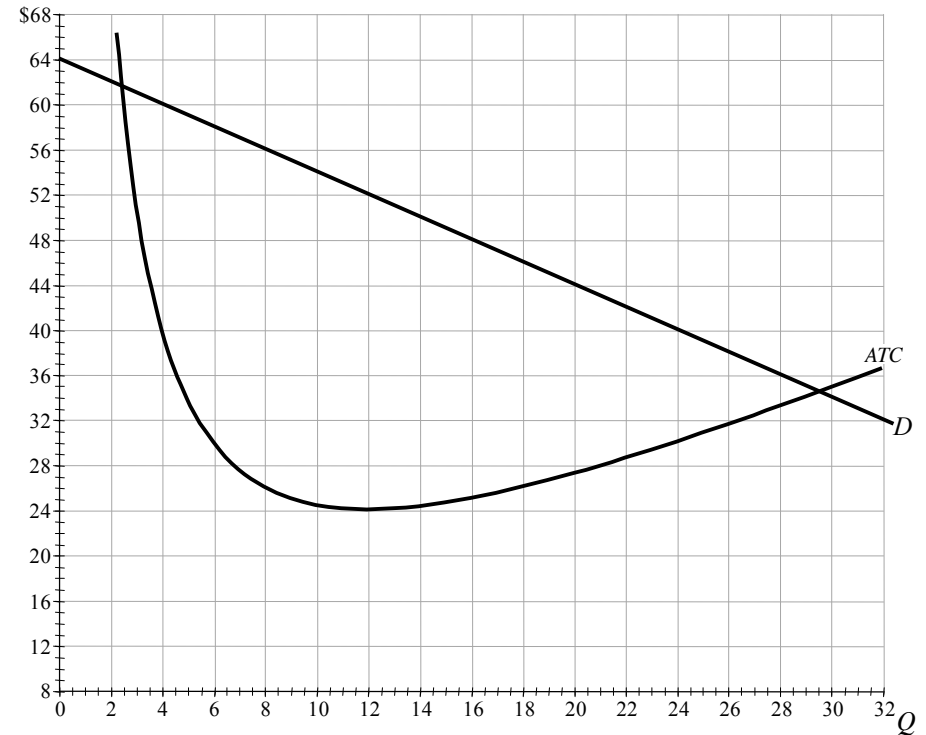
- ① Patents or Licenses which allow only one firm for a particular good
- ② Large Capital Requirements
- ③ Room for only one firm to make a profit (two or more would each make a loss)



Monopoly Profit Calculation (an example)

For the following demand and *ATC* curves, first find profit per unit (*p-ATC*) and then multiply by the number of units to get total profit. For this demand curve, each \$1 decrease in price will increase quantity demanded by 1. Notice that total profit is not the greatest at the same output at which per unit profit is greatest.

<i>Q</i>	<i>P</i>	<i>ATC</i>	<i>Profit per unit</i>	<i>Total Profit</i>
4	60	40	20	80
8	56	26	30	240
9	55	25	30	270
12	52	24	28	336
16	48	25	23	368
18	46	26	20	360
24	40	30	10	240



We could have done the table above in a slightly different way. First define *MR* as:
 $MR = \text{“marginal revenue” as the extra revenue from an extra unit sold} - MR = \left(\frac{\Delta TR}{\Delta Q} \right)$.

What an extra unit adds to profit must be the difference between *MR* and *MC*.