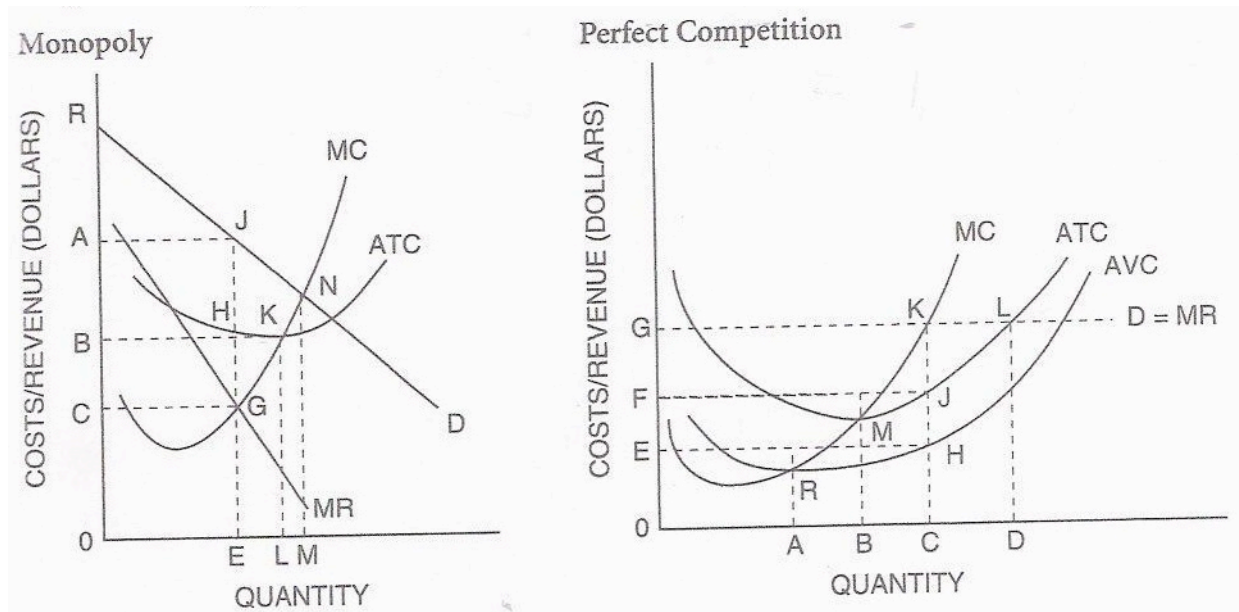


Comparison Between Perfect Competition and Monopoly



These questions are based on the graph above. Assume that the monopoly can set only one price and both the monopoly and the perfect competitor seek to maximize profits.

1. A monopoly firm will maximize profits at what price?
2. Economic profits for the monopoly firm are represented by the area of what rectangle?
3. The perfect competitor will maximize profits at what output level?
4. The perfect competitor will shut down below which price-output relationship?
5. At price OG, profits of the perfect competitor are represented by the area of what rectangle?
6. At what price-output relationship will a perfect competitor operate in the long run (Hint: they break even)?
7. For the monopolist, what is the area of the consumer surplus?
8. When comparing the two, which firm's output is greater?
9. What is the area of the monopolist's deadweight loss?