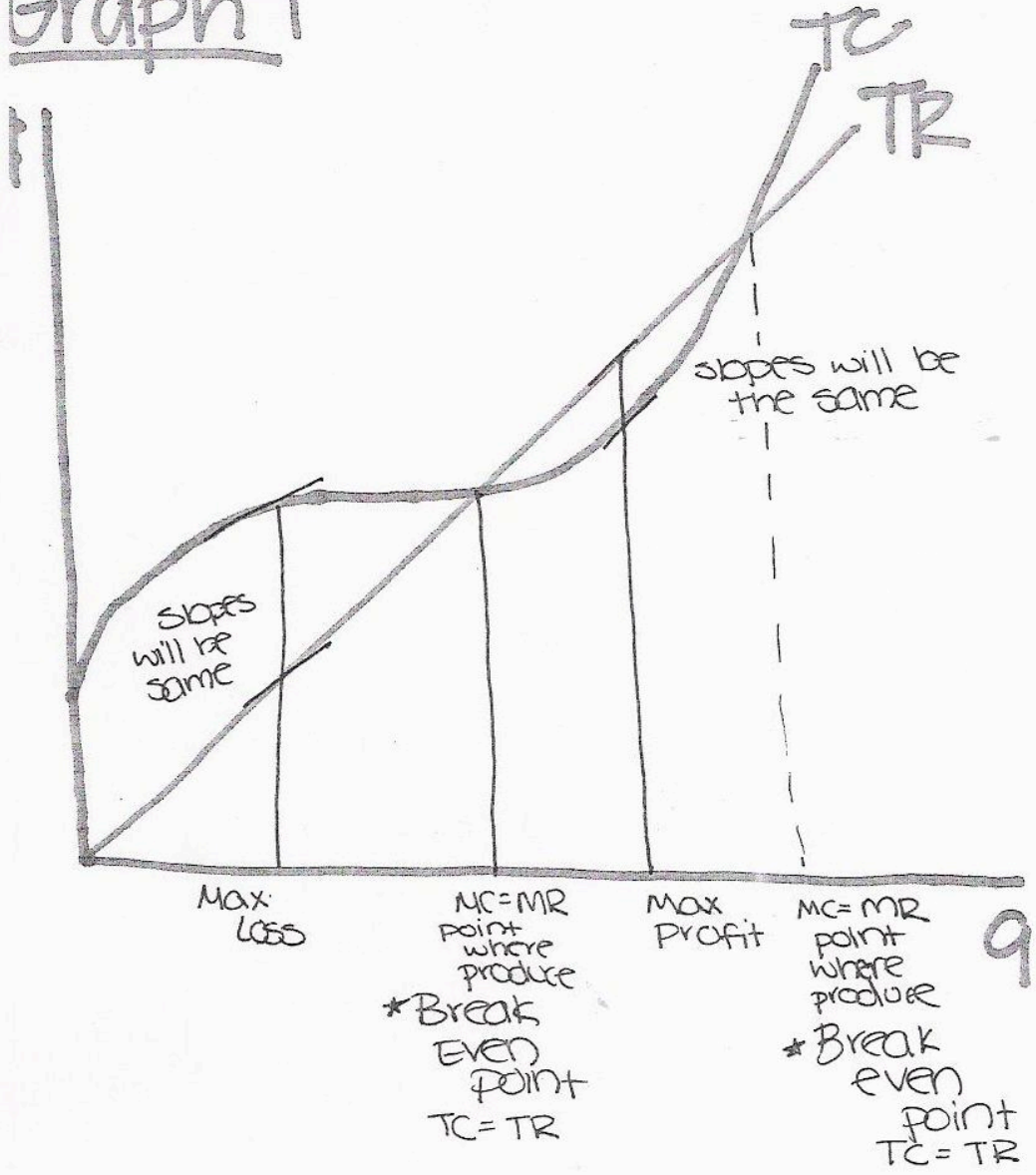
Graph 1



Perfect Competition Industry

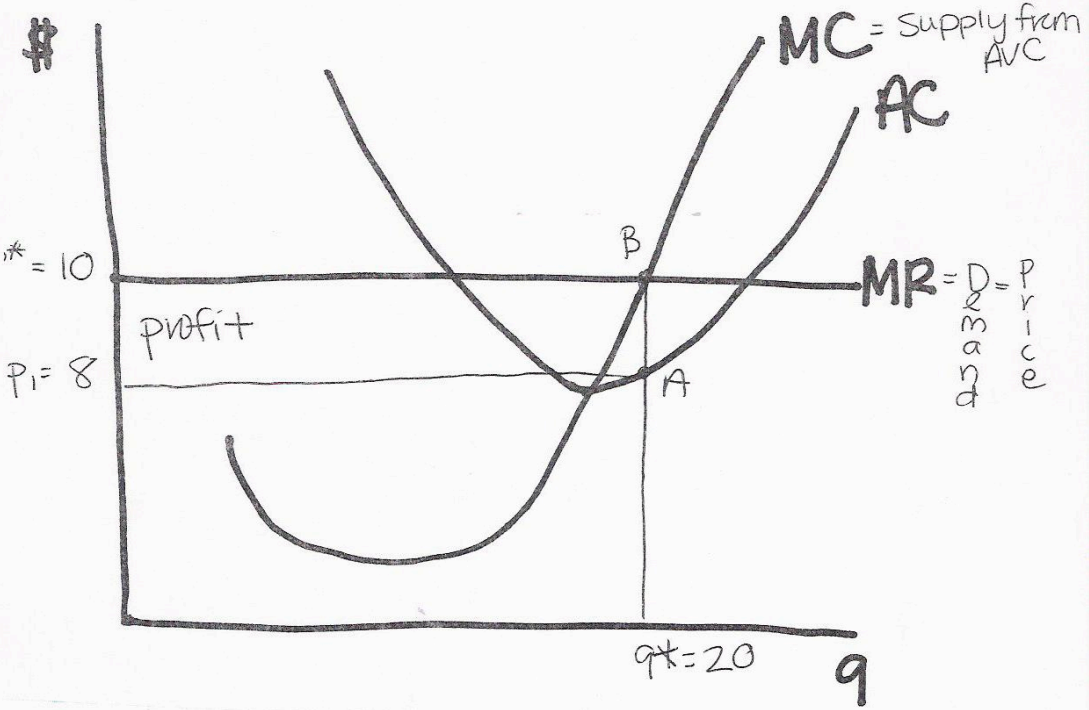
slopes of the graphs marginal Cost & marginal Revenue

TC = slope MC

TR = slope MR

Break even point = Earning Normal Profit

Graph 2

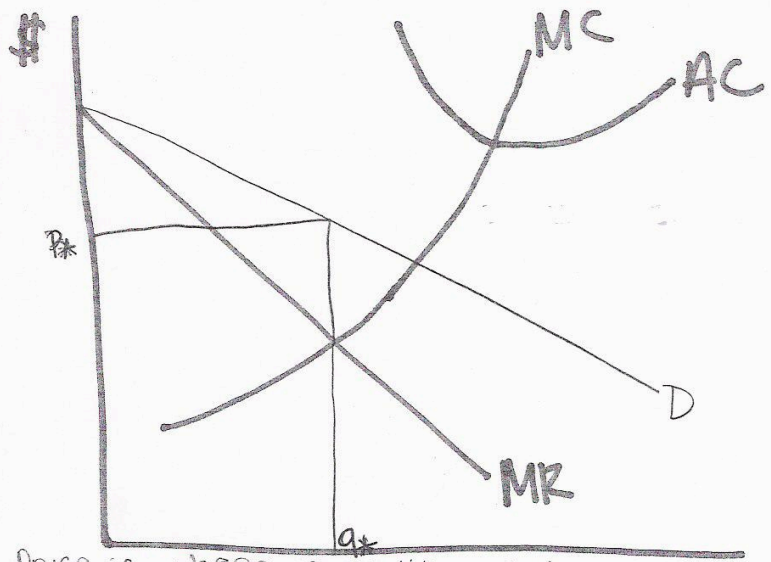


- This graph is perfect competition.
- making profit because AC < MR.
- The firm will survive in the Long Run.
- profit = length x width
  = (q* produced) x (P* - P1)
  = (20) x (10-8)
  = 20 x 2
  = 40

= Firms will enter

Graph 3

Monopoly - Diagram for Firm & Market



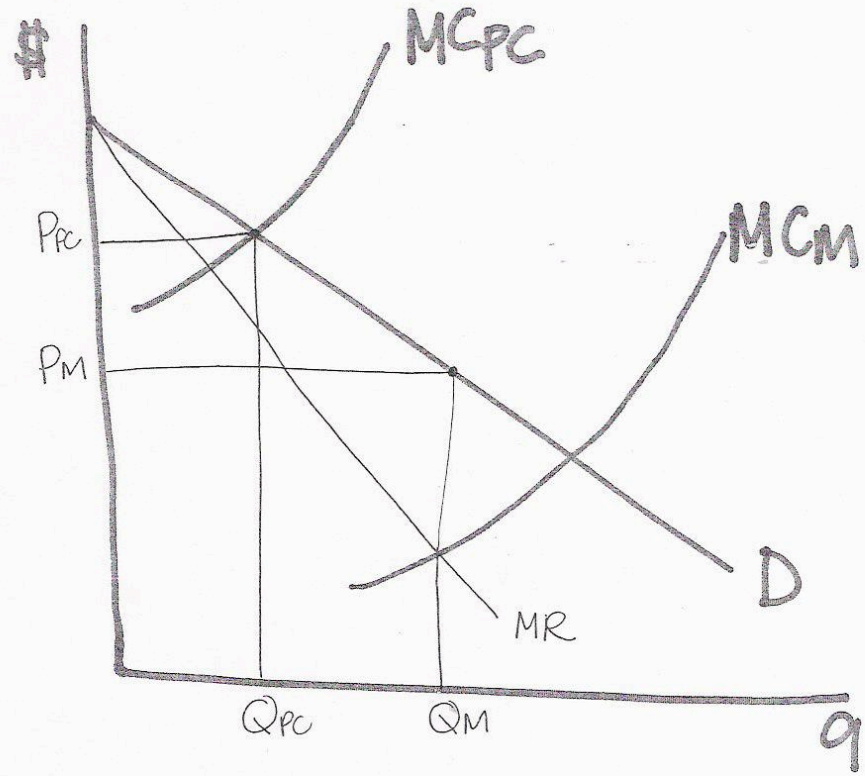
- Price is where quantity produce equals demand.
- MR curve is ½ the distance from the y-axis and demand.
- Produce where MR = MC. *There is no supply curve in a Monopoly.
- Always produce where demand is elastic.
- When AC is above the demand curve there is a loss.

  When AC is below the demand curve there is a profit.

  When AC is tangent to the demand curve it is a normal profit.

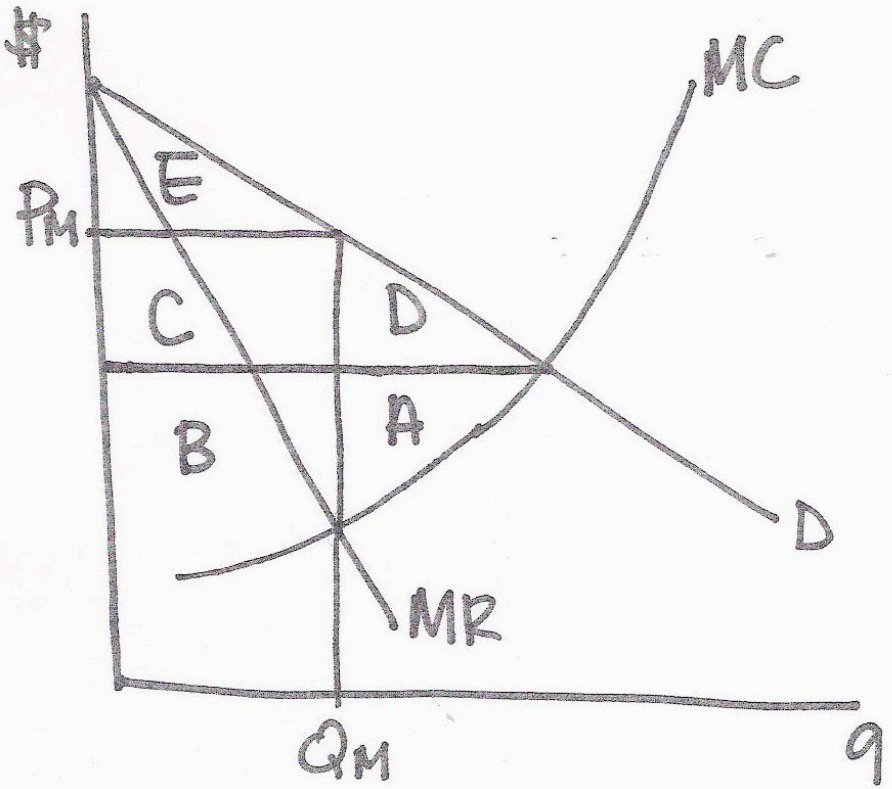
  * normal profit = break even point

Graph 4



- The monopolist produces more than the perfectly competitive industry.
- The monopolist's cost are much lower than the perfectly competitive industry
- Because the mc curves of perfect competition & monopoly are so far away, the monopolist produces more
- In most situations, the perfectly competitive industry produces more

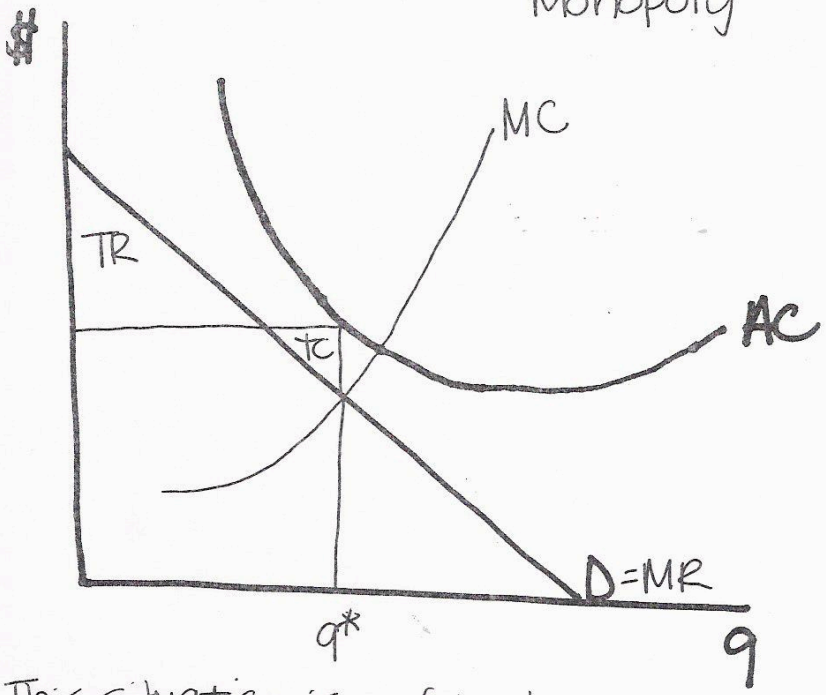
Graph 5



- E is consumer surplus
- C is the ~~Black~~ Transfer effect
- C & B are the Producer surplus
- D & A are the Dwl
- Q_M where the monopolist will produce & at how much it will produce
- P_M - ~~price where the monopolist will charge~~ Price that the monopolist will charge
- D was taken away from consumer's surplus
- A was taken away from producer's surplus

Graph 6

Perfectly discriminating Monopoly



This situation is profitable even though AC is above the demand curve (the monopoly can price discriminate and "turn" a profit).

Steps to Problem

1. determine production (MR=MC)
2. determine TR (area under demand curve from 0 to q*).
3. determine TC (area under AC from 0 to q*).
4. erase overlap
5. compare triangles