

Unit 5: Monopoly Test Concept Review Guide M61-M63

Non-Price Discriminating Pure Monopolies

- The **profit-maximizing (loss minimizing) quantity & the profit-maximizing price** for a pure monopolist (where $MC=MR$)
- [The area of economic profit and loss, as well as the break even point #12-#14](#)
- **Break even level** (producing at a quantity where the Price touches ATC) where there are zero economic profits. Cost box and revenue box are equal.
- The **socially optimal level/allocative efficient level** of output ($D=S$ (MR))
- **Productive efficient level** (output produced is at the Minimum of the ATC Curve) as you are now producing the most efficient output since your average costs are lowest. THIS IS NOT PROFIT MAXIMIZING OUTPUT ($MC=MR$), just Productive efficiency.
- **Identifying Consumer surplus, Producer Surplus and DWL in a non-price discriminating monopoly.**
- Per unit tax/subsidy vs a lump-sum tax/subsidy (what curve they affect and the profit maximizing quantity they produce)
- Why a monopolist can earn **long-term economic profits** (4 barriers to entry: control of a scarce resource or input, economies of scale, tech superiority, and gov created barriers)

Natural Monopoly

- [ATC curve for a natural monopoly vs pure monopoly \(#16 & #17\)](#)
- **Economies of scale** (decreasing ATC) are enjoyed by a natural monopoly at all 3 points....Profit Max, Soc. Optimal, & Fair Return (ATC intersects Demand curve as it is decreasing).
- [How price ceilings \(used to eliminate DWL\) that are implemented by the government affect natural monopolies/and or Pure Monopolies at the break even/fair return and socially optimal levels #21-#26](#) and [Mr. Clifford Video](#) (A price ceiling imposed by the government IS THE NEW MR CURVE, so look to see where $MC = MR$)

Price Discriminating Monopolies

- [Perfect Price Discriminations](#) effect on the [quantity produced, profit, consumer surplus & DWL \(Slides 10-17\)](#) & [Mr. Clifford video](#)
- [Conditions needed for price discrimination](#)

Eat Up Idiots & Total Revenue

- [Determining the elastic, unit elastic, inelastic and range of the monopolist's demand curve](#)
- [Relationship between marginal revenue and total revenue \(which you can sketch out below a traditional monopoly graph by seeing where MR touches the horizontal axis\) and Eat Up Idiots](#)

Odds & Ends

- [Difference between earning **economic and accounting profit**](#)
- [Characteristics of a **monopoly vs perfect competition** #27-#40](#)