Chapter 10 Review – Monopoly
ECNS 204 – Eric Belasco

1. Assume there is only one seller of yo-yos on campus. This seller effectively has a monopoly. Market research has determined the following market demand (on campus) for yo-yos. Compute the appropriate TR and MR associated with this market demand faced by the monopolist.

Quantity Demanded	Price	Total Revenue (TR)	Marginal Revenue (MR)
0	11		
1	10		
2	9		
3	8		
4	7		
5	6		
6	5		
7	4		
8	3		
9	2		
10	1		

2. Next, the costs associated with selling yo-yos include a $5 license fee plus $4 per yo-yo. Fill in the associated table below with the appropriate MC, TVC, TFC, and TC. Also, compute the associated profits for each quantity level.

Quantity Supplied	Marginal Cost (MC)	Total Variable Cost (TVC)	Total Fixed Cost (TFC)	Total Cost (TC)	Profits (TR – TC)
0					
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					

3. Now assume that the following equations can be used in place of the schedule above to determine the profit-maximizing decisions for the monopolist.

Market Demand: $P = 11 - Q_d$

Market MR: $MR = 11 - 2Q_d$

Firm MC: $MC = 4$

a. Determine the profit-maximizing output for the monopolist based MR = MC.

b. What is the maximum price the monopolist could charge in order to sell the output determined in part (a).

c. How would things change for this producer if he found himself within the confines of a perfectly competitive market?

d. Show graphically the decisions in parts a and b of this question. Also, show the location of consumer surplus, producer surplus, and deadweight loss.