

Monopoly

- + To look at what is meant by the term monopoly.
 - + To be aware of global monopolies.
 - + To study the pricing and output decisions of monopolies and how that differs from those of a firm operating under conditions of perfect competition.
- + The monopoly market structure is the **polar opposite** from that of perfect competition. Answer the following questions

Task One

1. How many firms exist in the market with a pure monopoly



2. How does this differ to many government's definition of a monopoly? Give an example.

3. Name companies that you can think of which have a monopoly in its market in the **pure/literal** sense of the word (present or recent past) and those that would be regarded as a monopoly in the **everyday sense**.

Monopoly
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✦ Why is a monopolist faced with a downward sloping demand curve as opposed to perfectly price inelastic demand curve?

✦ How is the output level of the monopolist determined?

✦ How can we illustrate on the diagram that profits are maximized at this point? Explain and illustrate.

6) - What barriers to entry allow monopolists to earn abnormal profits in the long run?

✦ _____

✦ _____

✦ _____

✦ _____



7) - Why might a monopolist seek to maximise revenue rather than profit?
