

Learning Objectives

Chapter 15

In this chapter you will

- Learn the definition of monopoly
- Learn why some markets have only one seller
- Consider some reasons why monopolies arise
- Analyse how a monopoly determines the quantity to produce and the price to charge
- Examine why a monopoly does not have a supply curve
- See how the monopoly's decisions affect economic well-being
- See why monopolies try to charge different prices to different customers
- Consider the various public policies aimed at solving the problem of monopoly

You should be able to

- List three reasons why a monopoly can remain the sole seller of a product in a market
- Use a monopolist's cost curves and the demand curve it faces to show the profit earned by a monopolist
- Show the deadweight loss from a monopolist's production decision
- Show why forcing a natural monopoly to set its selling price equal to its marginal cost of production creates losses for the monopolist
- Demonstrate the surprising result that price discrimination by a monopolist can raise economic welfare above that generated by standard monopoly pricing