**CONCEPT:** MONOPOLY REVENUE

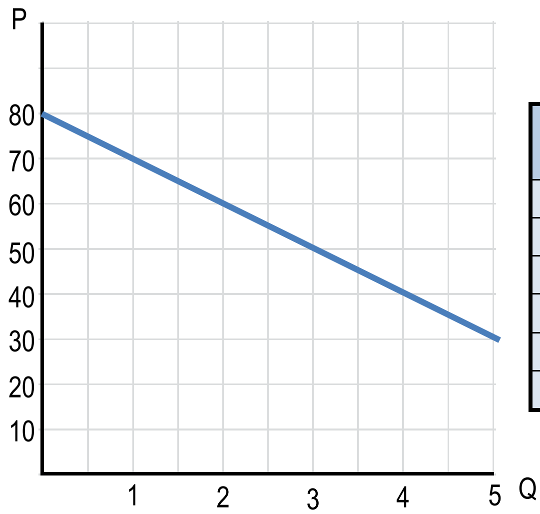
● A monopoly faces a ______________________________ demand curve. A price decrease has two effects:

□ ***Price effect*** – The firm earns __________ revenue per unit sold because of the price decrease

□ ***Output effect*** – The firm earns __________ revenue because it sells more quantity at the lower price

● A monopolist's marginal revenue is always ____________ than the price of the good

**EXAMPLE:** A market for cable subscriptions




| Subscribers (Q) | Price (P) | Total Revenue (TR = P x Q) | Average Revenue (AR = TR/Q = P) | Marginal Revenue (MR = ΔTR/ΔQ) |
|---|---|---|---|---|
| 0 | 80 | | | |
| 1 | 70 | | | |
| 2 | 60 | | | |
| 3 | 50 | | | |
| 4 | 40 | | | |
| 5 | 30 | | | |

**PRACTICE:** Which of the following statements is true?

a) A monopolist's demand curve is more elastic than the market demand curve.

b) For a monopoly, an increase in the quantity sold will always increase total revenue.

c) The barriers to market entry in perfect competition are similar to those for a monopoly.

d) A monopoly's marginal revenue is less than its average revenue.