Class: B.Com Part I
Subject : Business Economics and Environment.
Paper : I
unit : IV.
Topic Price Determination in long-run under Monopoly
Sequence No : 8

Prepared by :
Dr. Roy Anitakumari Paramanand
Marwari College Darbhanga.
E-mail roy27583@gmail.com.

Subject

MON TUE WED THR FRI SAT SUN

Can a Monopolist Fix Both the price and output Simultaneously:

A monopolist can control either price or quantity, though not both at the same time. The monopolist has complete control over the supply of the product. He is also a price-maker. who can set the price to his maximum. It may be apparently seen that the monopolist being the only supplier of a commodity can change price it likes. This is not true. It is because the monopolist has, if any control over consumer's demand, although it has compelete control over the supply of a commodity.) Since demand curve of the monopolist is also the market demand curve for the product. It is always downwards sloping. The implication is obvious. The monopolist is faced with two options.

If the objective is to sell more, price cut is essential.

if the objective is to Raise price, output restriction.

But the monopolist can never raise the price and force the buyers to buy more at this price. It is rightly commented that if the monopolist chooses to set price. It is rightly commented that if the monopolist chooses to set price, the quantity it will be able to sell is fixed by the demand curve. If he chooses to set output the price at which that output can be disposed off is also fixed by the demand curve. Thus, monopolist cannot set both price and output.

Subject ____________ MON TUE WED THR FRI SAT SUN

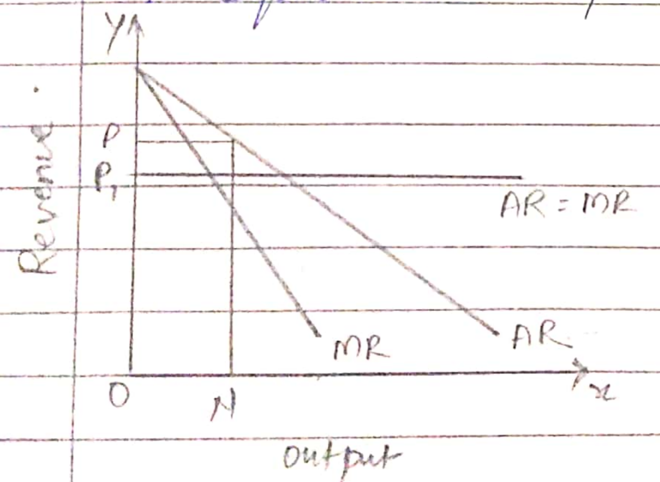
Difference between Perfect Competition and monopoly.

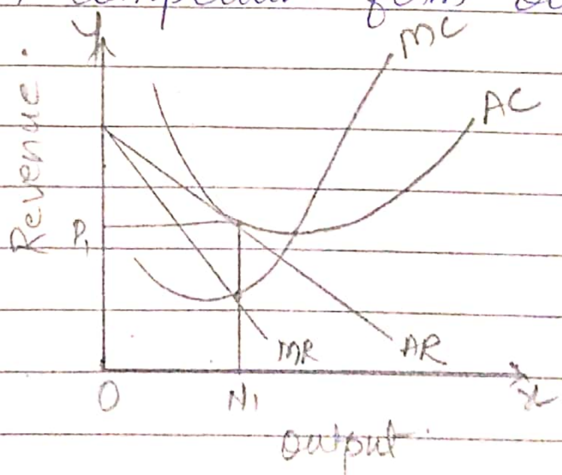
	Perfect Competition	Monopoly.
(1)	There is No restriction on the entry or exit of firm into the ~~d~~ industry.	Here, there is strong barriers on the entry and exit of firms.
(2)	The equilibrium is possible only when MR = MC and MC cuts the MR curve from below.	The equilibrium can be realized whether marginal cost is raising, constant or falling.
(3)	Under perfect competition price is equal to marginal cost at the equilibrium output	While Under monopoly, the price is greater than Average Cost.
(4)	In perfect Competition the price is fixed by the market and producer cannot exercise any control over it.	A monopolist can charge discriminatory price for his goods.
(5)	There are a number of buyers and sellers, selling homogeneous products.	The distinction between firm and industry disappears under monopoly because only one firm sell a particular commodity
(6)	The firm attains equilibrium at its optimum size	Monopoly firm attains equilibrium at less

Subject ______

MON TUE WED THR FRI SAT SUN

	Perfect Competition	Monopoly.
(7)	Here Demand curve is perfectly elastic. It is due to the existence of large number of firms. Price of the product is determined by the industry and each firm has to accept at price	Monopoly, average revenue curve slopes downward AR and MR curves are separate from each other. Price is determined by the monopolist.
(8)	Perfect competition output is higher than monopoly price. Under perfect competition the firm is in equilibrium at point M, AR = MR = AC = MC are equal. The equilibrium Output is ON,	Monopoly firm is in equilibrium at point M where MC = MR. The equilibrium output is ON. The monopoly output is lower than perfectly competitive firm output.





(9)	In long-period, the firm earn only normal profit.	It will always earn super-normal profit in the long-run.
(10)	In long-run the production is possible only under constant conditions	In long-run, the production is possible under all three cost condition decreasing constant, and increasing.

your writing partner