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| **Week 9 Chapter 8: Managing in Competitive Markets**  **Question 1**  Instructions: Show all steps for each part of the question below.  The accompanying diagram shows the demand, marginal revenue, and marginal cost of a monopolist. Below the graph is the market demand curve.   |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | $ PRICE |  |  |  |  |  |  |  |  |  | | 18 |  |  |  |  |  |  |  |  |  | | 17 |  |  |  |  |  |  |  |  |  | | 16 |  |  |  |  |  |  |  |  |  | | 15 |  |  |  |  |  | MC |  |  |  | | 14 |  |  |  |  |  |  |  |  |  | | 13 |  |  |  |  |  |  |  |  |  | | 12 |  |  |  |  |  |  |  |  |  | | 11 |  |  |  |  |  |  |  | D |  | |  |  |  |  |  |  |  |  |  |  | |
| **10 15 20 25 30 35 40 45 Q** |
| ***MR*** |
| ***TABLE Showing Market Demand***  ***Price Quantity Total Revenue Average Revenue***  **18 10 ------------ -------------------**  **17 15 ----------- ------------------**  **16 20 ----------- ------------------**  **15 25 ------------ ------------------**  **14 30 ------------ ------------------**  **13 35 ------------ ------------------**  **12 40 ------------ ------------------**  **11 45 ------------- -------------------**   1. ***Complete the columns for Total Revenue and Average above*** |
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1. What level of output should this monopolist produce? Explain how you have arrived at your answers. Next, show your answers in the graph above?
2. What price should this monopolist charge? Explain how and then show your answers in the graph above.
3. What price and output would prevail if this firm’s product were sold price-taking firms in a perfectly competitive market? First explain and then show your result using the above graph.