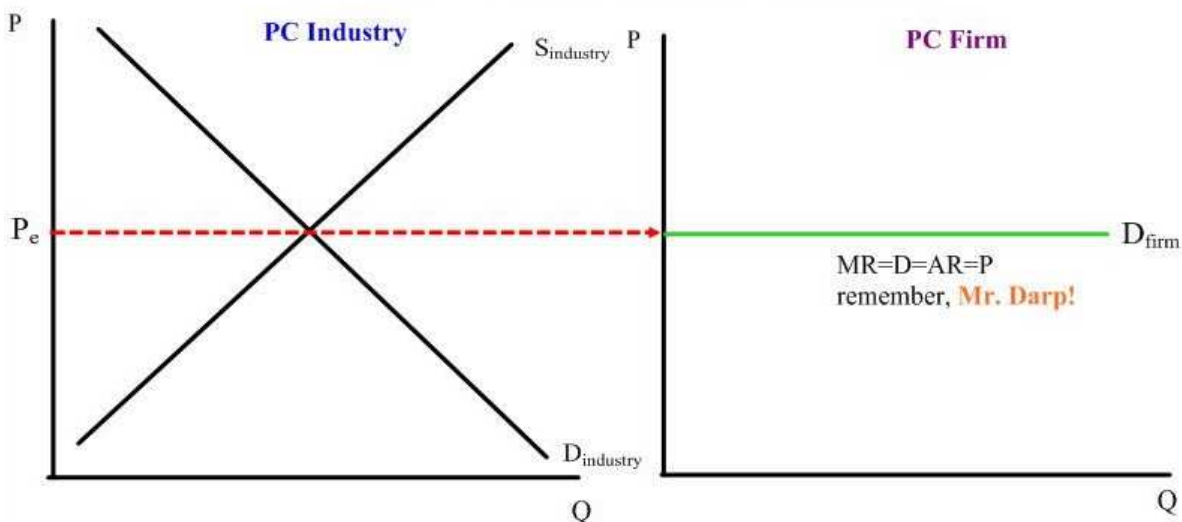
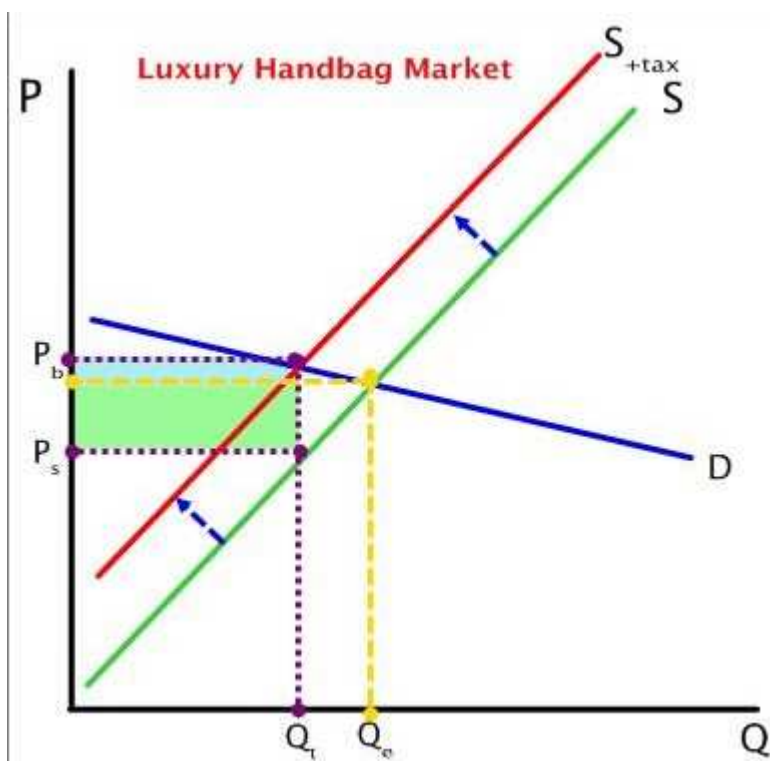


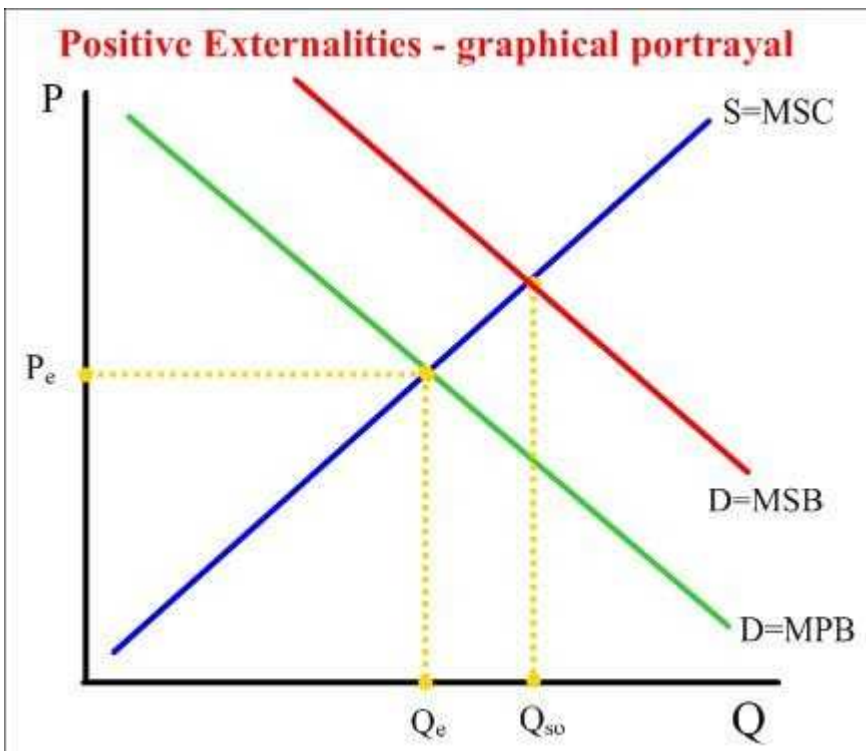
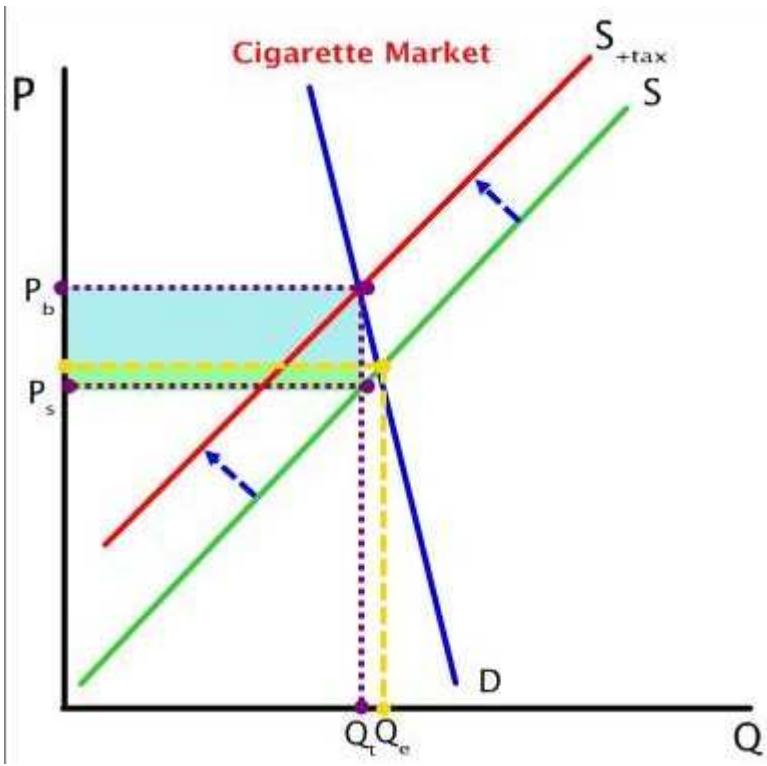
### Demand as seen by a purely competitive seller



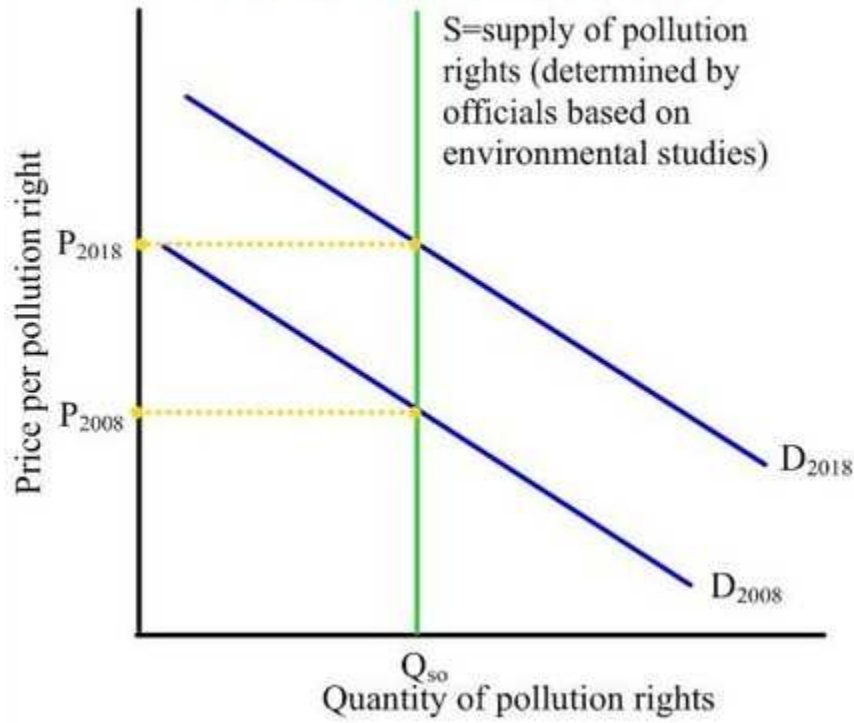
**Description:** In a purely competitive market, the firm's demand curve is perfectly elastic and the price is the same as the price set in the industry, since the firm is a price taker, not price maker.



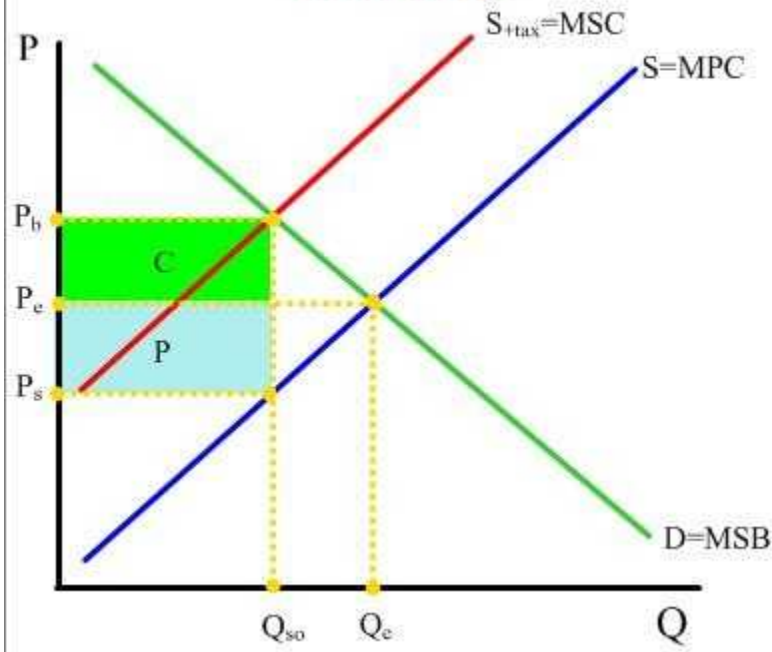
**Description:** The excise tax has shifted the supply curve to the left. Result is higher price for consumers and lower price to producers. Demand is elastic, the producer bears most of tax burden. Blue area: consumer tax burden. Green area: producer tax burden.



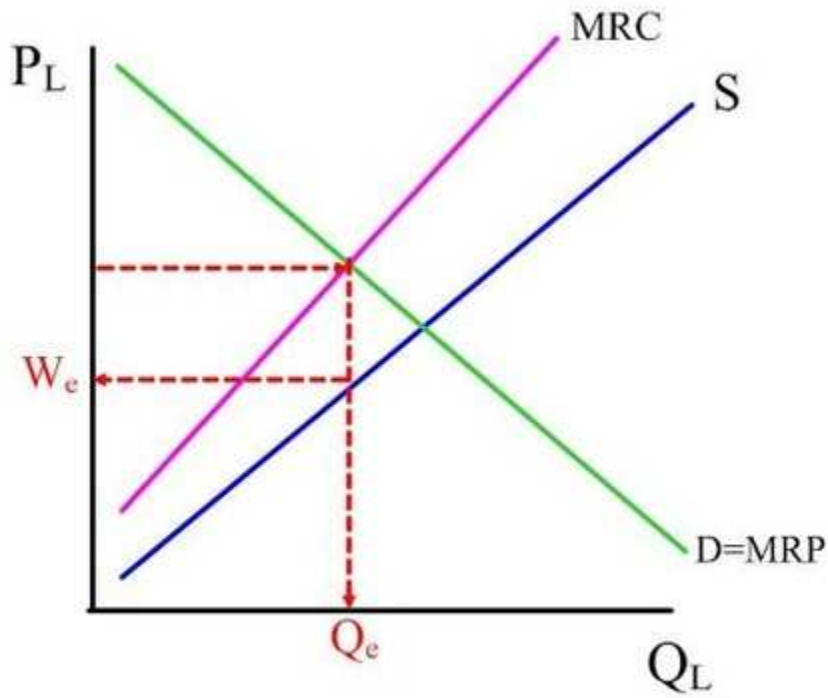
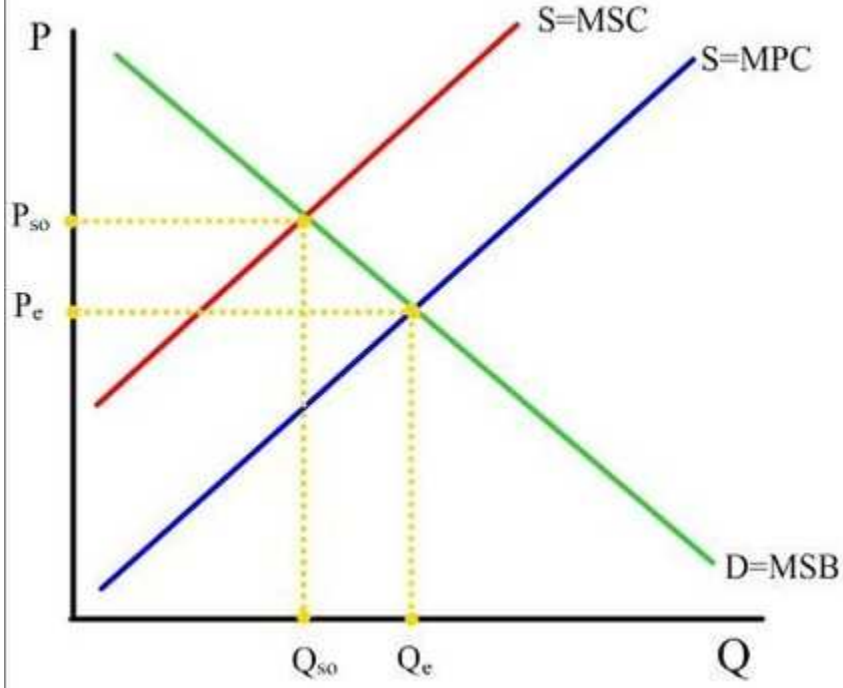
### The Market for Pollution Permits

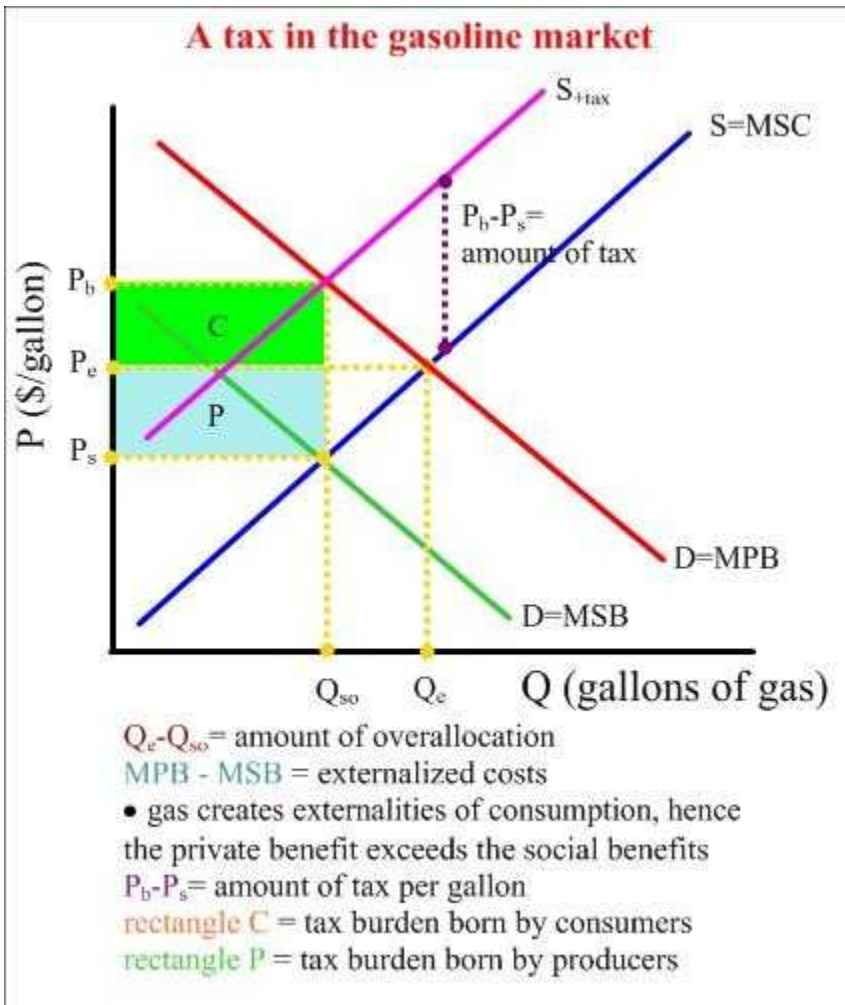
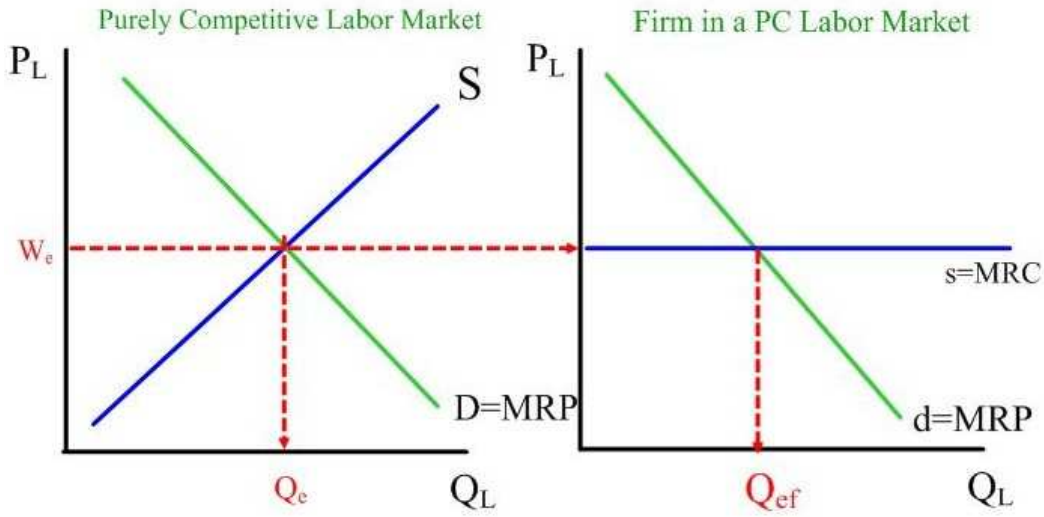


### Negative Externalities - Gov't solutions corrective tax



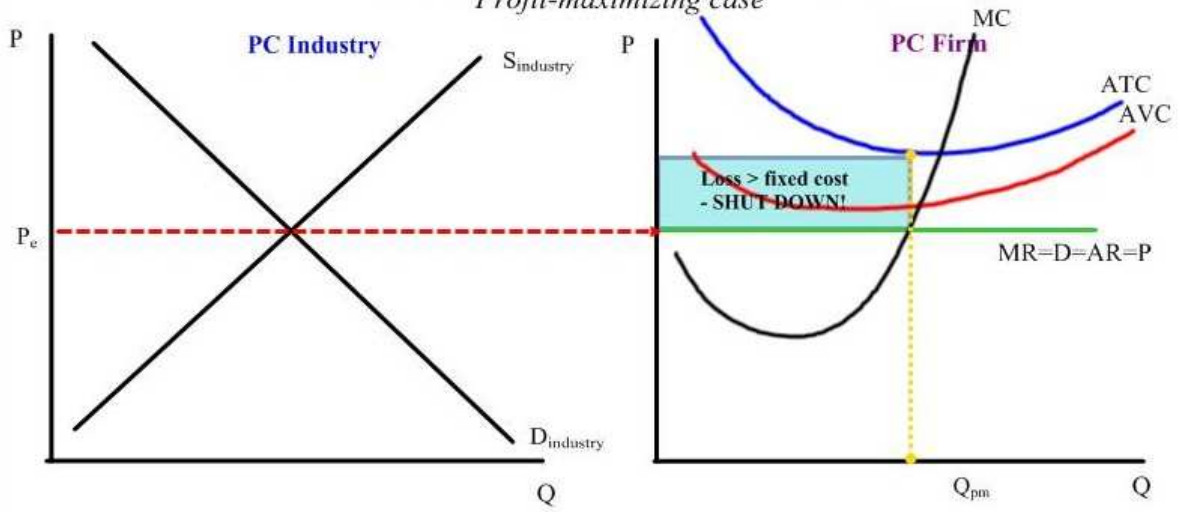
### Negative Externalities - a graphical portrayal





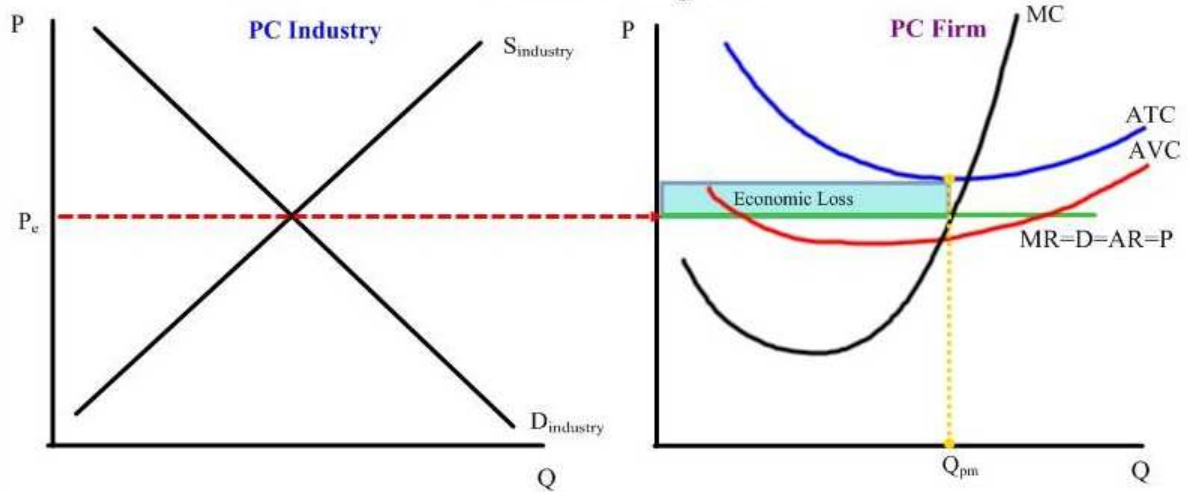
### Profit Maximization - the MR=MC Approach

*Profit-maximizing case*



### Profit Maximization - the MR=MC Approach

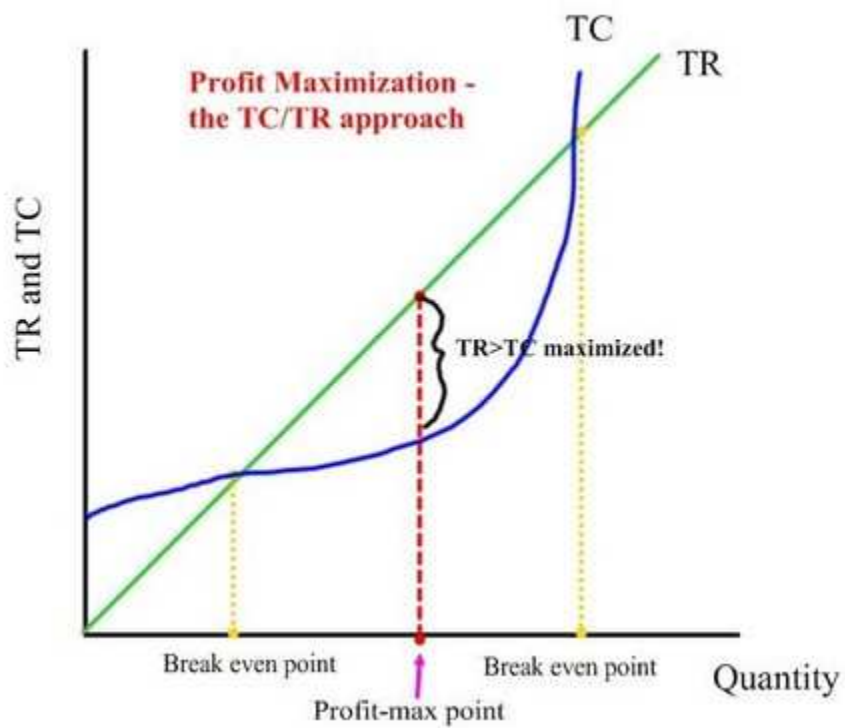
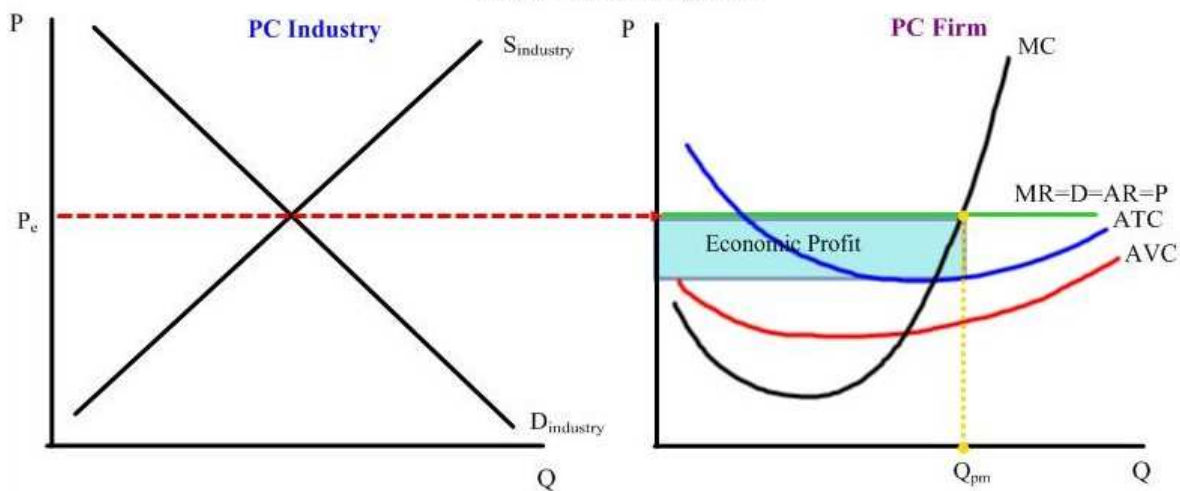
*Loss-minimizing case*

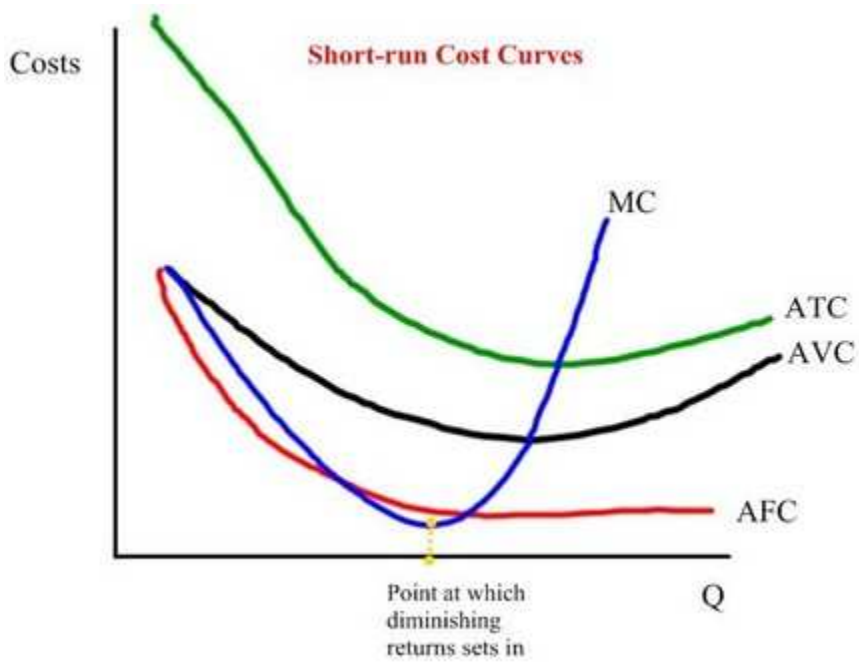
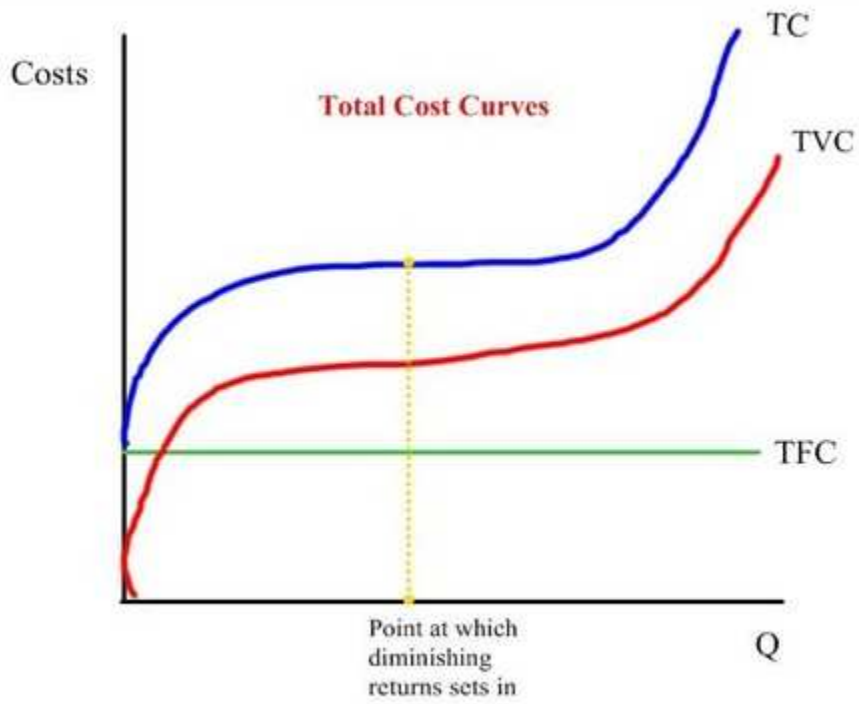




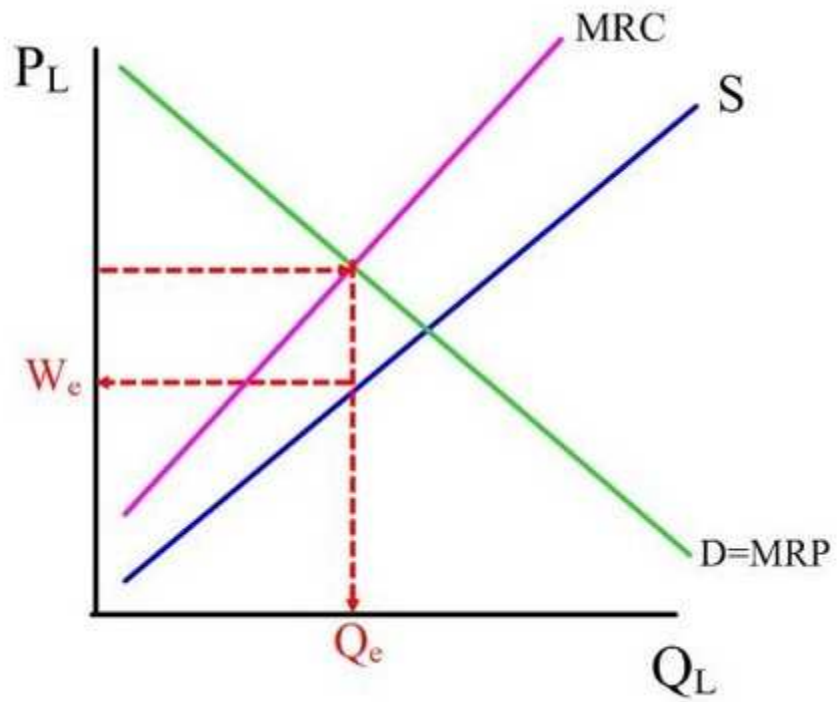
### Profit Maximization - the MR=MC Approach

*Profit-maximizing case*

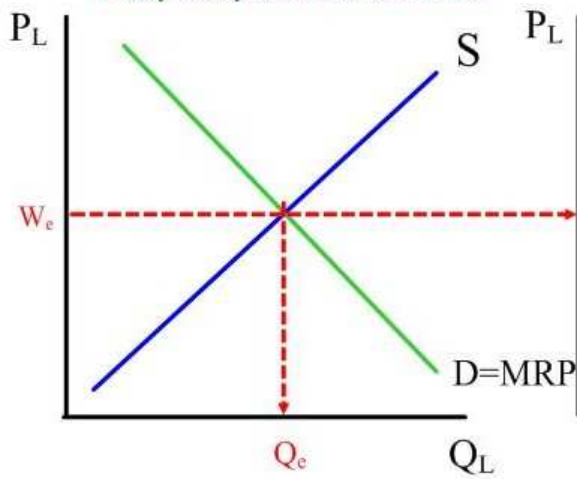




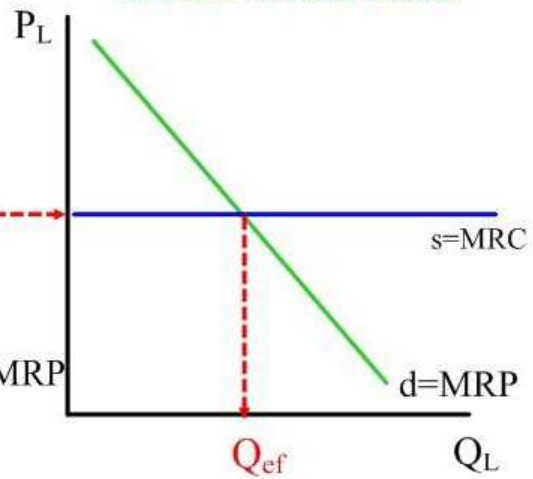


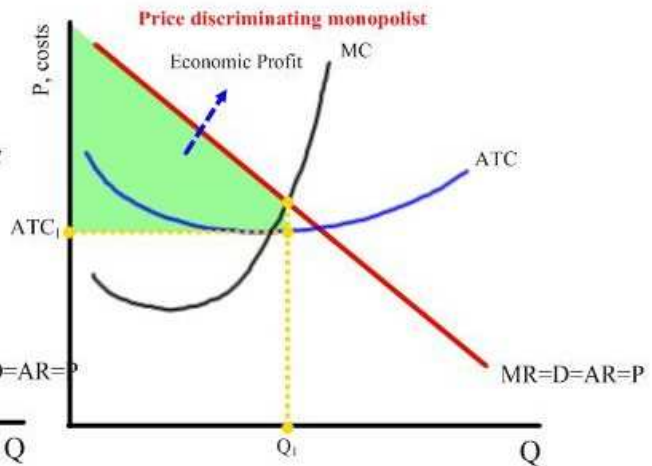
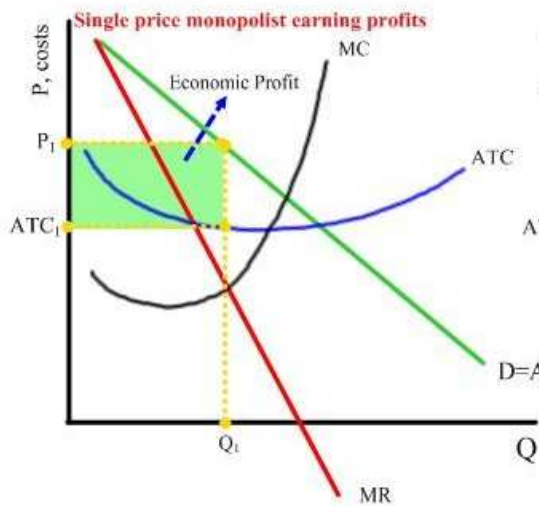
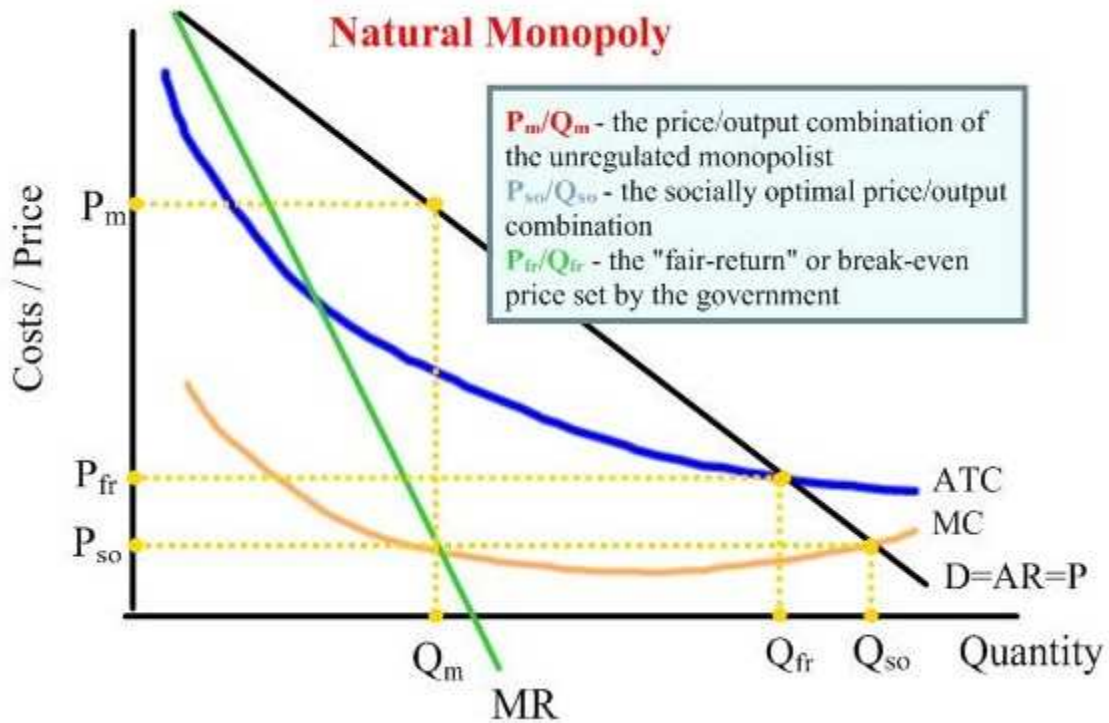


Purely Competitive Labor Market

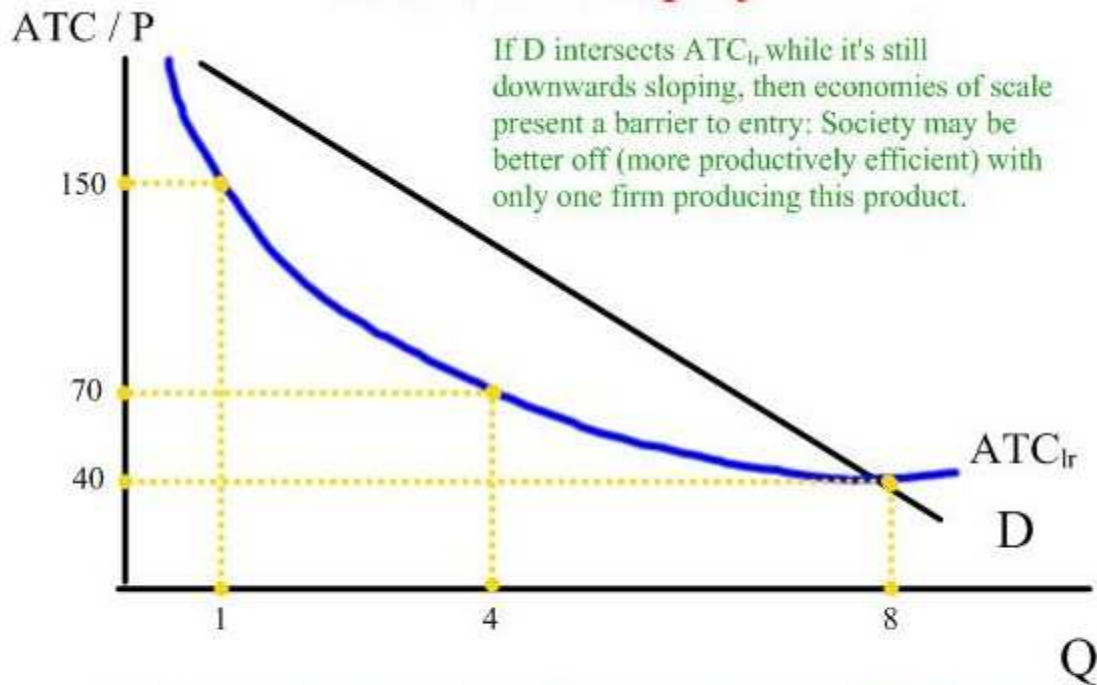


Firm in a PC Labor Market

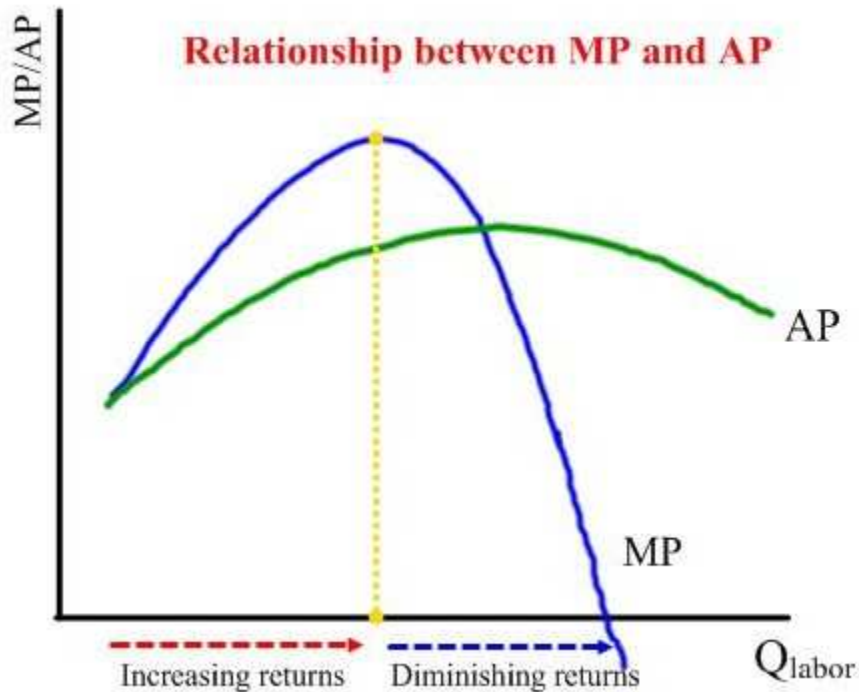


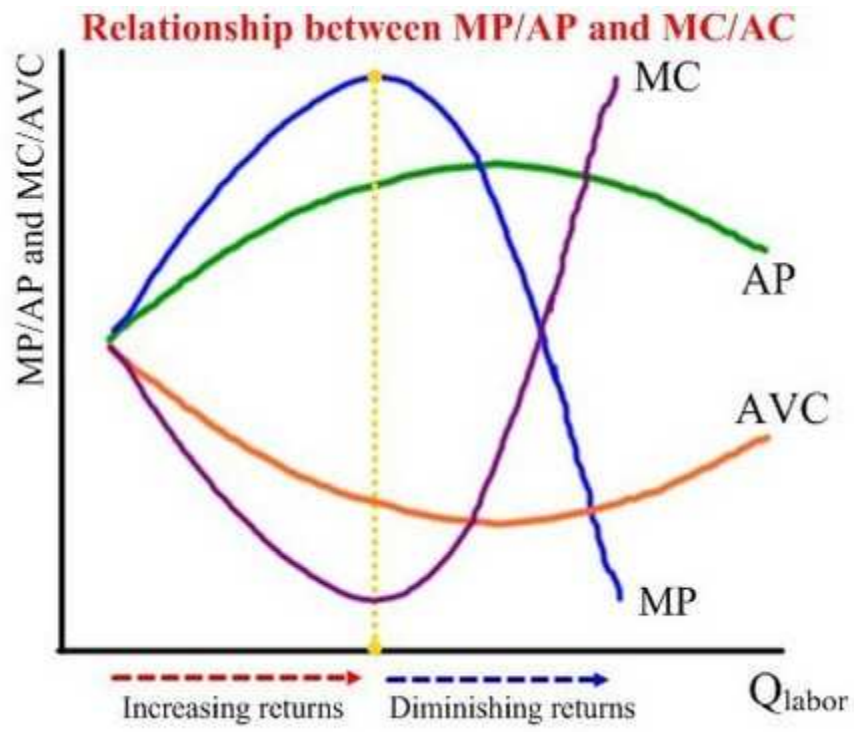


## Natural Monopoly

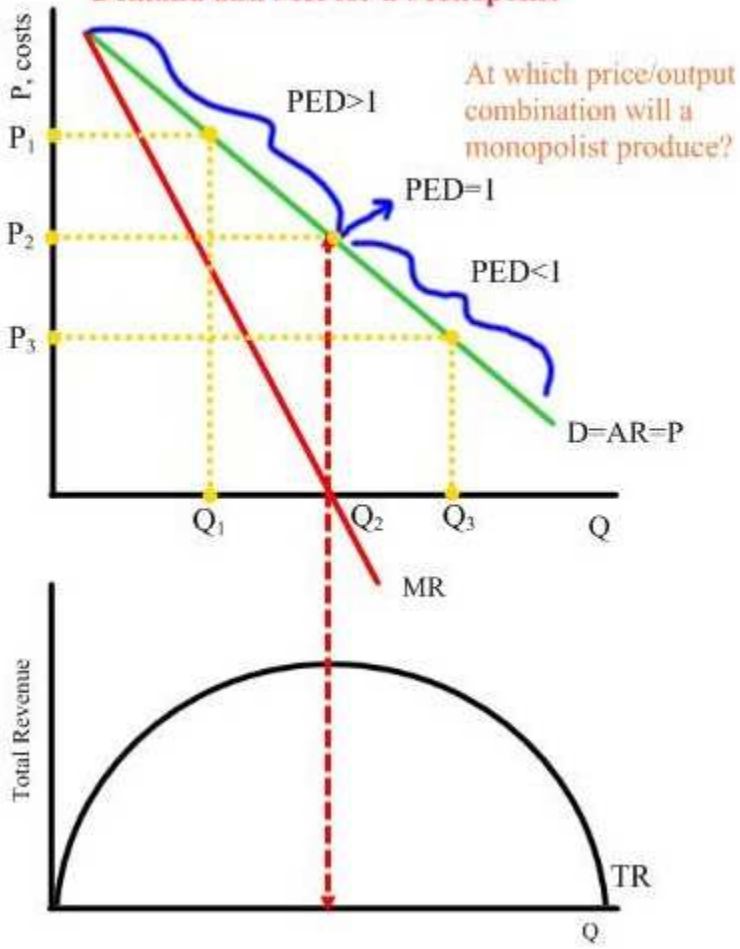


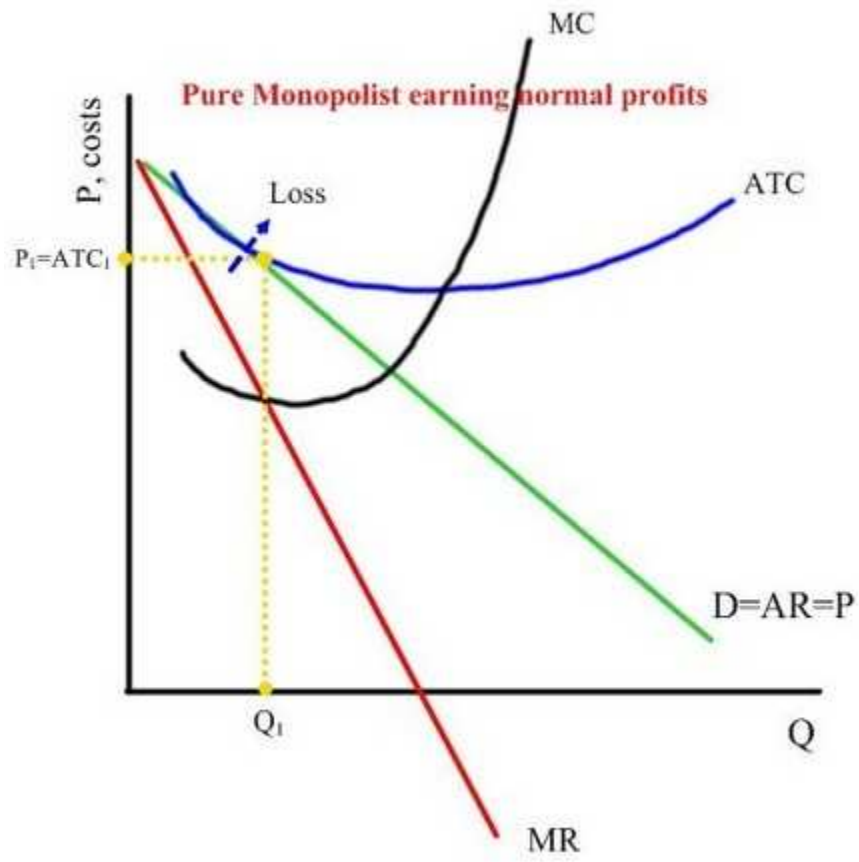
In order to produce 8 units, it would cost one firm a total of \$320, two firms a total of \$560 and 8 firms a total of \$1200. Clearly the most efficient (least cost) production is achieved when only one firm produces all the output.

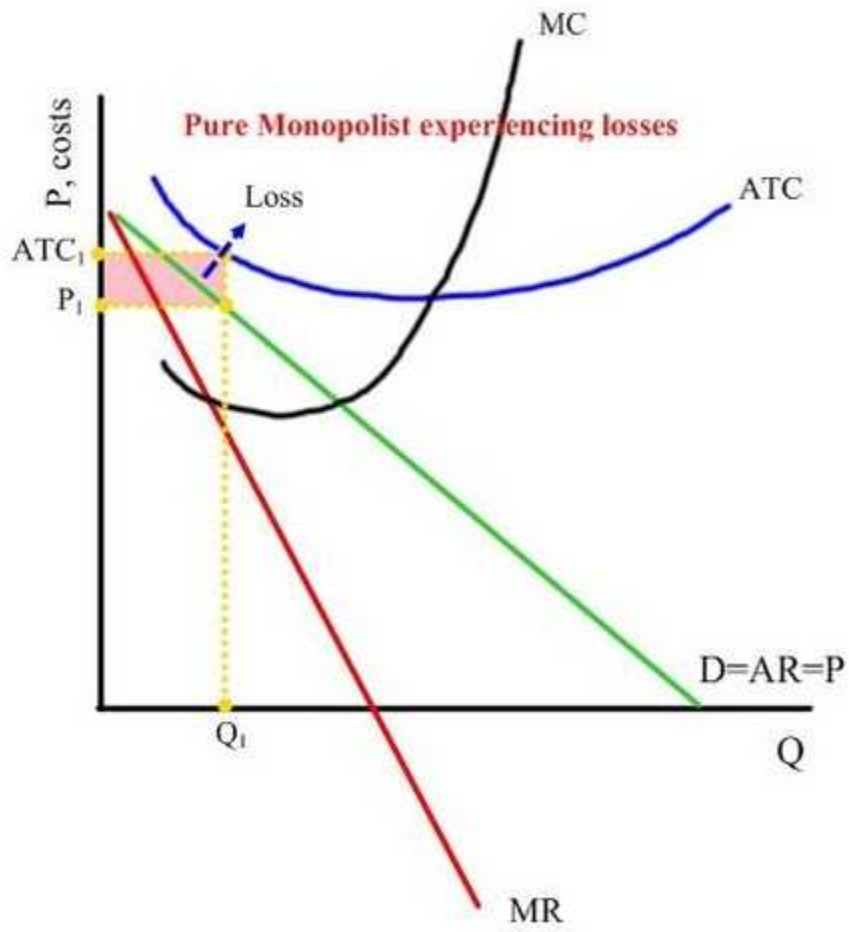




### Demand and MR for a Monopolist

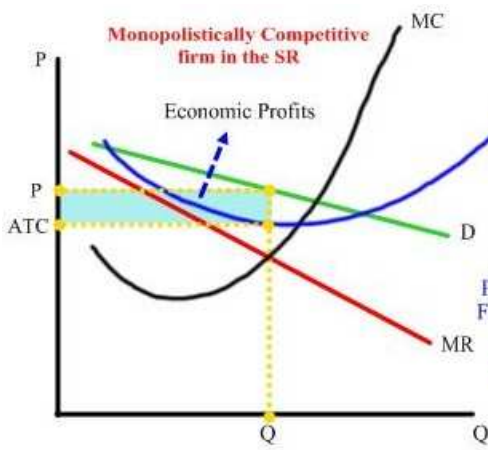
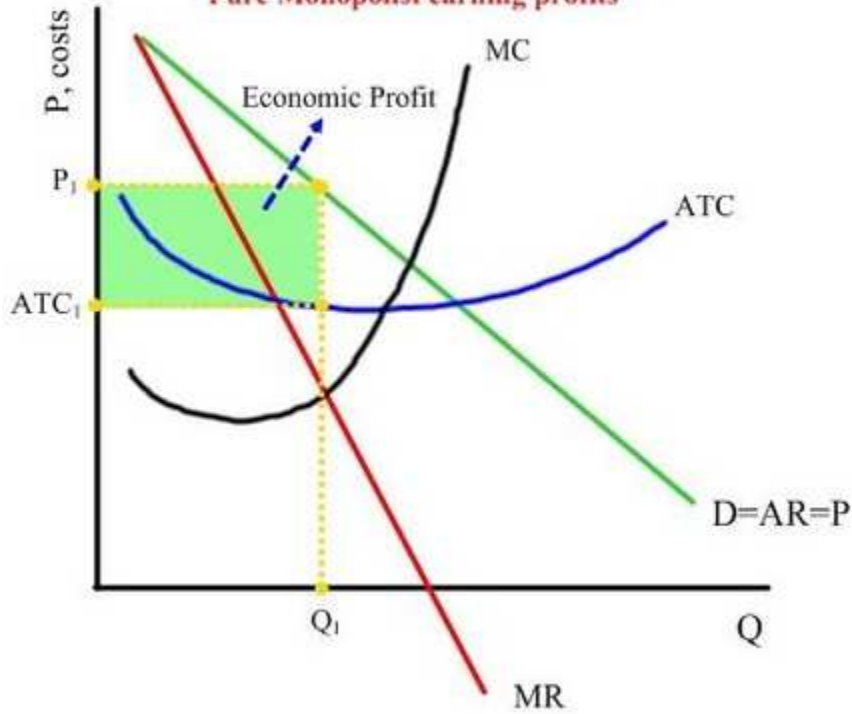




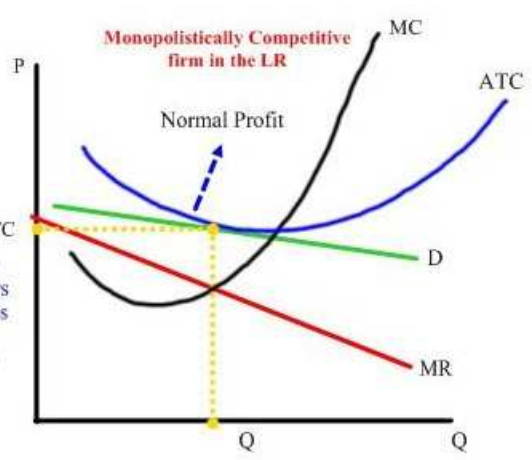


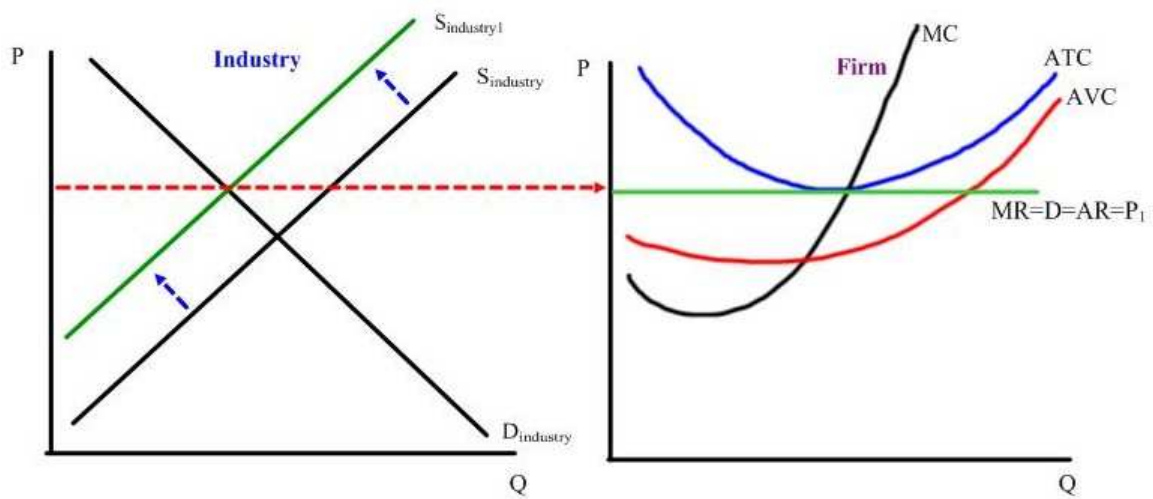
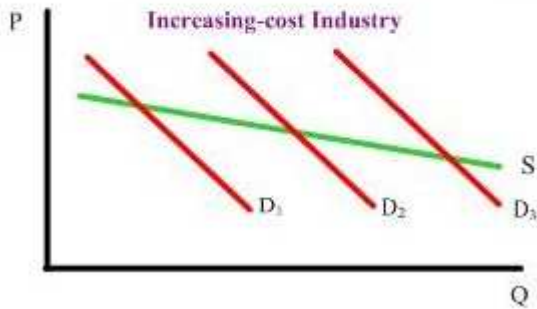
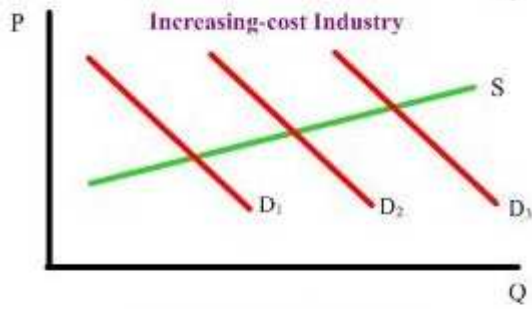
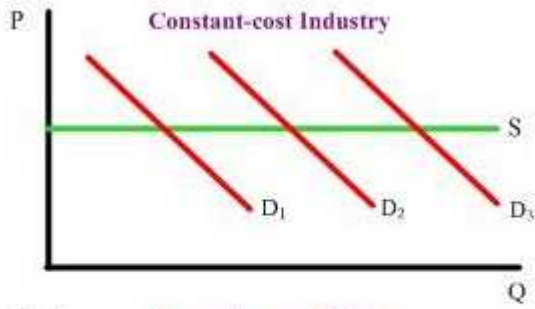


**Pure Monopolist earning profits**



Profits attract competitors  
Firms' D shifts in, becomes more elastic





Economic losses force firms to leave industry. Supply shifts in, price increases, losses are eliminated and firms again earn normal profit. Equilibrium is restored.