

Name \_\_\_\_\_

1. Market Structures differ from one another in many respects. Consider two profit-maximizing firms that earn short-run economic profits. One is perfectly competitive and the other is a monopoly.
  - a. For each firm, draw a correctly labeled graph showing the following.
    - i. Price
    - ii. Quantity of output
    - iii. Area of economic profits
  - b. For each firm, explain the relationship between price and marginal revenue.
  - c. For each firm, explain how the economic profits would most likely change in the long run.
  - d. Label the area that represents the deadweight loss on the graph for the monopoly firm drawn in (a). Explain what this deadweight loss represents.