

Pure Monopoly

We turn now from pure competition to pure monopoly, which is at the opposite end of the spectrum of market structures listed in Table 10.1. You deal with monopolies more often than you might think. When you purchase certain prescription drugs, you are buying monopolized products. When you make a local telephone call, turn on your lights, or subscribe to cable TV, you may be patronizing a monopoly, depending on your location.

By studying a simplified model of pure monopoly--the first of three models of imperfect competition--we can find answers to a series of questions. What precisely do we mean by pure monopoly, and what conditions enable it to arise and survive? How does a pure monopolist determine its profit-maximizing price and output? Does a pure monopolist achieve the efficiency associated with pure competition? If not, what, if anything, should the government do about it?