I. REVIEW

A. PROFIT-MAXIMIZATION & COMPETITION
   1. NECESSARY CONDITION FOR PROFIT MAXIMIZATION:
      MARGINAL REVENUE = MARGINAL COST
   2. COMPETITION: \( P = MR = MC \)

B. SUPPLY CURVE FOR THE COMPETITIVE INDUSTRY
   1. \( P = MC \) FOR EACH FIRM
      1. AT ANY GIVEN \( P \), DETERMINE \( Q \) THAT LEADS TO \( MC \) EQUAL TO THAT \( P \) AT EACH FIRM
      2. ADD OUTPUT OF EACH FIRM TOGETHER TO GET TOTAL INDUSTRY OUTPUT AT THAT \( P \)
      3. REPEAT FOR OTHER PRICE LEVELS

C. IF \( P > AC \) ECONOMIC PROFIT (LOSS) AND ENTRY (EXIT)

D. THE LONG-RUN COMPETITIVE OUTCOME
   1. \( P_X = MC_X \)
   2. \( P_X = AC_X \)
   3. \( P_X = \frac{MU_X}{MU_Y} P_Y \) (CONSUMER OPTIMUM \( \Rightarrow \frac{MU_X}{P_X} = \frac{MU_Y}{P_Y} \))

B. EFFICIENCY VS. DISTRIBUTION
II. INTRODUCTION TO IMPERFECT COMPETITION

A. LET’S PLAY CARDS!

B. A LESSON FROM LINEVILLE

C. REVENUE, MARGINAL REVENUE, & PRICE FOR A MONOPOLY

1. REVENUE = PQ

2. BUT P DEPENDS ON Q, E.G., P = 150 – 2Q

3. TWO EFFECTS OF A MONOPOLY RAISING PRODUCTION

D. THE “TWICE AS STEEP” RULE

IF : \( P = A - BQ \), e.g., \( P = 100 - 2Q \)

THEN: \( MR = A - 2BQ \), e.g., \( MR = 100 - 2Q \)
### D. THE DEADWEIGHT LOSS OF MONOPOLY

1. SOCIETY’S PROBLEM

2. THE MONOPOLIST’S PROBLEM
CONVENTIONAL MONOPOLY PRICING
vs
A TWO-PART TARIFF
AT NOSNOWBA VALLEY SKI RESORT

COST OF EACH RIDE UP THE MOUNTAIN IS $2

TYPICAL SKIER’S DEMAND FOR RIDES:
\[ P = 12 - Q \]
\[ MR = 12 - 2Q \]

\begin{figure}
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\includegraphics[width=\textwidth]{chart.png}
\end{figure}

CONVENTIONAL PRICING: CHARGE FOR INDIVIDUAL RIDES

\[ P = $7; \ #RIDES = 5; \ AND \ PROFIT = $25 \]

STRICT TWO-PART PRICING: PARTICIPATION FEE = $50
PER RIDE FEE = $2 = MC

\[ #RIDES = 10; \ PROFIT = $50 \]

APPROXIMATE TWO-PART PRICING: LIFT TICKET = $72
PER RIDE FEE = 0

\[ #RIDES = 12; \ PROFIT = $48 \]