Question #76228, Economics / Economics of Enterprise

Question: Suppose there is only one supplier in the market for product X. The marginal cost of producing product X is constant at $200 per unit and there is no fixed cost. The market demand for product X is described by the following schedule:

Price, $	Quantity	MC, $	TR=P*Q	MR
800	5	200	4000	
700	6	200	4200	200
600	7	200	4200	0
500	8	200	4000	-200
400	9	200	4500	500
300	10	200	3000	-1500
200	11	200	2200	-800

Determine the profit-maximizing output quantity and the price of product X.

There is a rule that the profit-maximizing choice for the monopoly will be to produce at the quantity where marginal revenue is equal to marginal cost (MR = MC).

Answer: P=$700, Q=6