

Answer on Question #57900 -Economics - Microeconomics

Question: can we say if its a monopoly or not? how? why?

A logistics firm has the following economic data

Q	MC	AC	MR
1	400	500	650
2	300	400	350
3	200	300	250
4	150	220	150
5	100	200	110
6	50	150	60
7	25	5	40
8000			

Solution

A sign of monopolization of the market is the fulfillment of condition

$$P_m > MR$$

The above economic data allow to calculate prices from the formula:

$$P_m = \frac{TR}{Q}$$

TR (total revenue) for the first unit equals to the price and MR.

TR from the second unit is

$$TR_n = TR_{n-1} + MR_n$$

We insert all the data in the table

Q	MC	AC	MR	TR	P
1	400	500	650	650	650,00
2	300	400	350	1000	500,00
3	200	300	250	1250	416,67
4	150	220	150	1400	350,00
5	100	200	110	1510	302,00
6	50	150	60	1570	261,67
7	25	5	40	1610	230,00

So, we verified that $P > MR$, so it is a monopoly

Answer

It is a monopoly

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