

Question #67729, Economics / Microeconomics

If Eskom (assumed sole supplier of electricity) is earning economic profits in the short run. Explain using a well labelled diagram how much output Eskom will produce and what price this output will be sold if Eskom maximizes profits.

Answer:

Monopoly quantity (Q^*_M) determined in point where marginal costs equal to marginal revenue. To determine monopoly price we need to draw vertical line to demand curve.

