

Firms (Production)

Cost side → common to all firms
 chapter 13 -

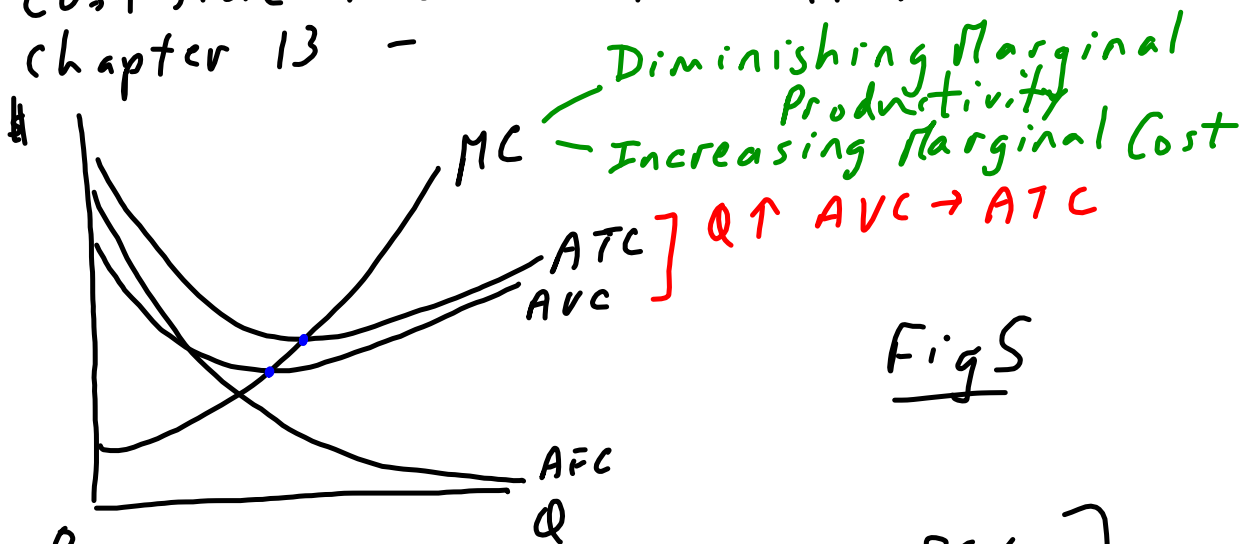


Fig 5

from TC

$$AC = TC/Q$$

$$MC = \frac{\Delta TC}{\Delta Q}$$

Fixed Cost $AFC = FC/Q$
 Variable Cost $AVC = TVC/Q$

$$TC = TFC + TVC$$

$$ATC = TC/Q \quad AVC = TVC/Q$$

Table

Markets - Industrial Organization

Paradigm - Structure - number of firms in industry

→ Conduct - choice of output
- pricing
- advertising?
- labeling - brand name?
- quality signal

Performance
↳ profit - return to owners

1 Firm → Monopoly

Life cycle - entrepreneur - idea
producing - 1 producer - Monopoly

durability of monopoly - entry
 prevention.

Starbucks - coffee (gourmet)
 trademark

Brandname - copyright - entry limit

Apple - trademark
 - patent - op system - "look + feel"

Simple - complete bar to entry
 monopolist - no competition.

- has D curve of market
- set price + sell to D
- to sell more \rightarrow lower the price
 (all sales happen at one price)

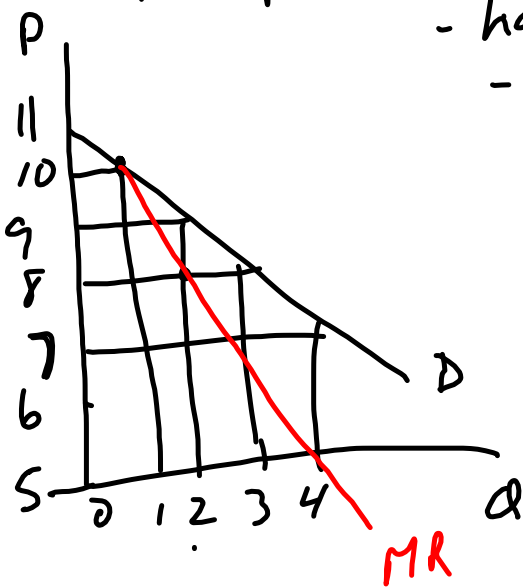


Table 1

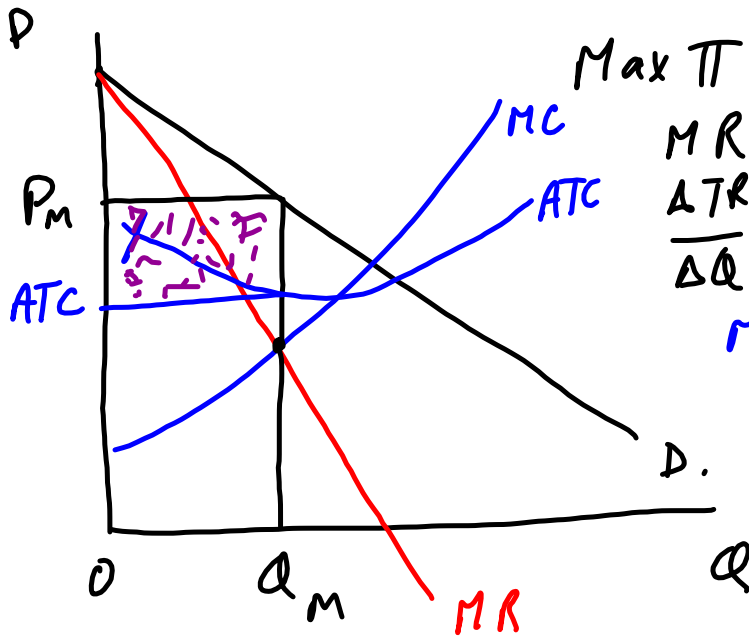
$MR < AR \rightarrow$

To sell more $P \downarrow (AR \downarrow) \rightarrow MR \downarrow$

Table of D. Table 1 p 305

P	Q	TR	AR	MR
11	0	0	0	
10	1	10	10	10
9.	2	18	9	8.
8.	3	24	8	6.
7.	4	28	7	4.
6	5	30	5	2

$$P = TR / Q = AR$$



$$\text{Max } \pi = TR - TC$$

$$MR = MC$$

$$\frac{\Delta TR}{\Delta Q} = \frac{\Delta TC}{\Delta Q}$$

MC → Figs Ch. 13

$$TC = ATC \cdot Q$$

$$\begin{aligned} \pi &= (P_m - ATC) \cdot Q_m \\ &= (AR_m - ATC) \cdot Q_m \end{aligned}$$

$\pi > 0$ - encourage entry

barrier to entry needed.

Legal - patent - 20 years
- trademark -
- copyright -
} lifespan

- trade secret - Coca Cola.
"special sauce" Pepsi "

