Comparing Monopoly and Perfect Competition

- Because the monopolist's marginal revenue is below its price, price and quantity will not be the same.
- The monopolist's equilibrium output is less than, and its price is higher than, for a firm in a competitive market.

The Welfare Loss from Monopoly

- People's purchase decisions don't reflect the true cost to society because monopolies charge a price higher than marginal cost.
The Welfare Loss from Monopoly

- The marginal cost of increasing output is lower than the marginal benefit of increasing output.

The Welfare Loss from Monopoly

- The welfare loss of a monopolist is represented by the triangles labeled B and D. The welfare loss is often called the deadweight loss or welfare loss triangle.