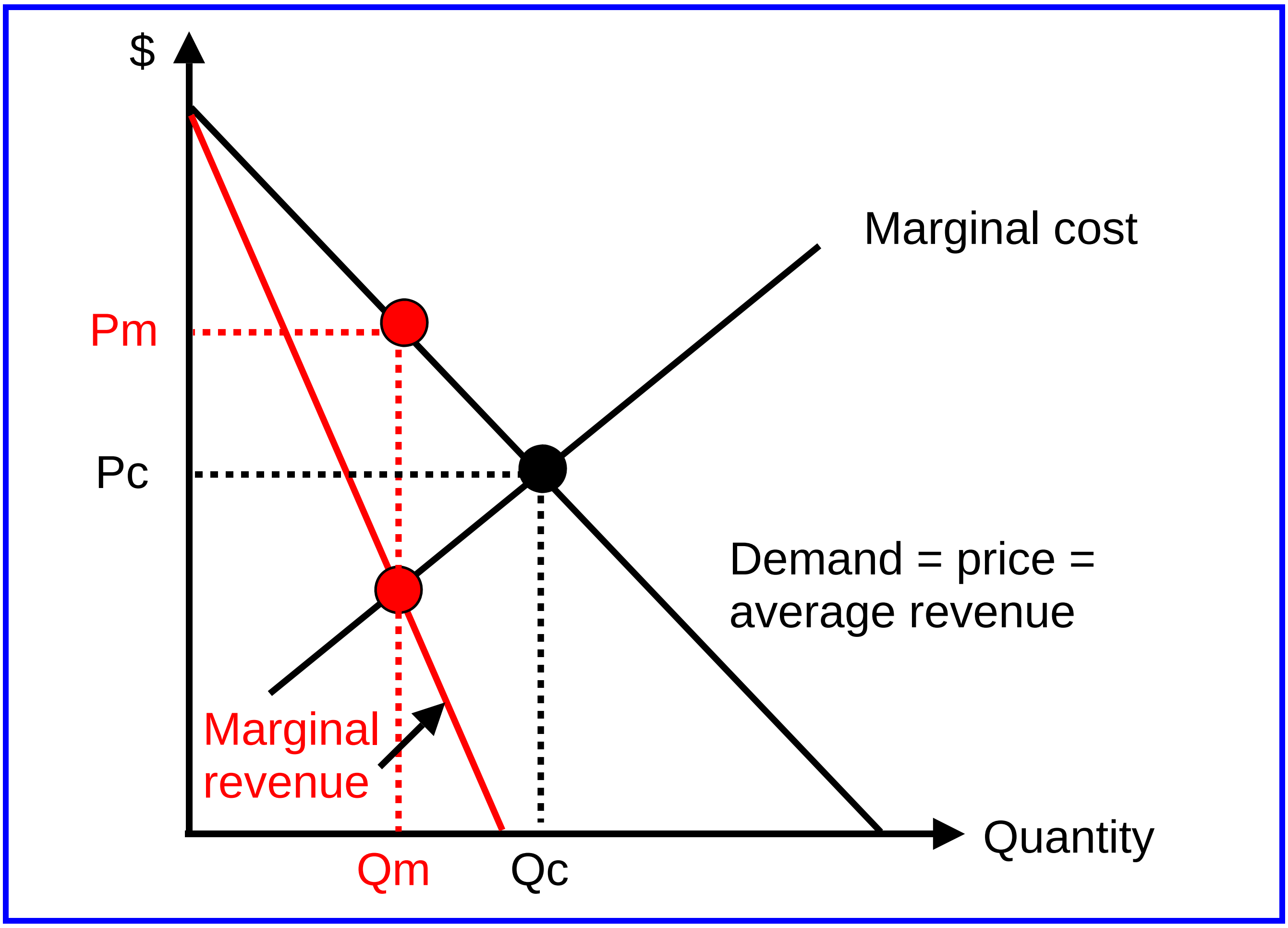
Monopoly and perfect competition - a comparison



Pm / Pc = Price monopoly / Price perfect competition
Qm / Qc = Quantity monopoly / Quantity perfect competition

- The monopoly is choosing the following point:
  MR = MC; but price > MC
- The firm in the competitive market is choosing the following point:
  Price* = MC (* equally MR = MC, since price = MR)
- Result: The monopoly is choosing a higher price and a smaller quantity than the firm in the competitive market.

MC = Marginal cost MR = Marginal revenue