



AP[®] Microeconomics 2003 Sample Student Responses

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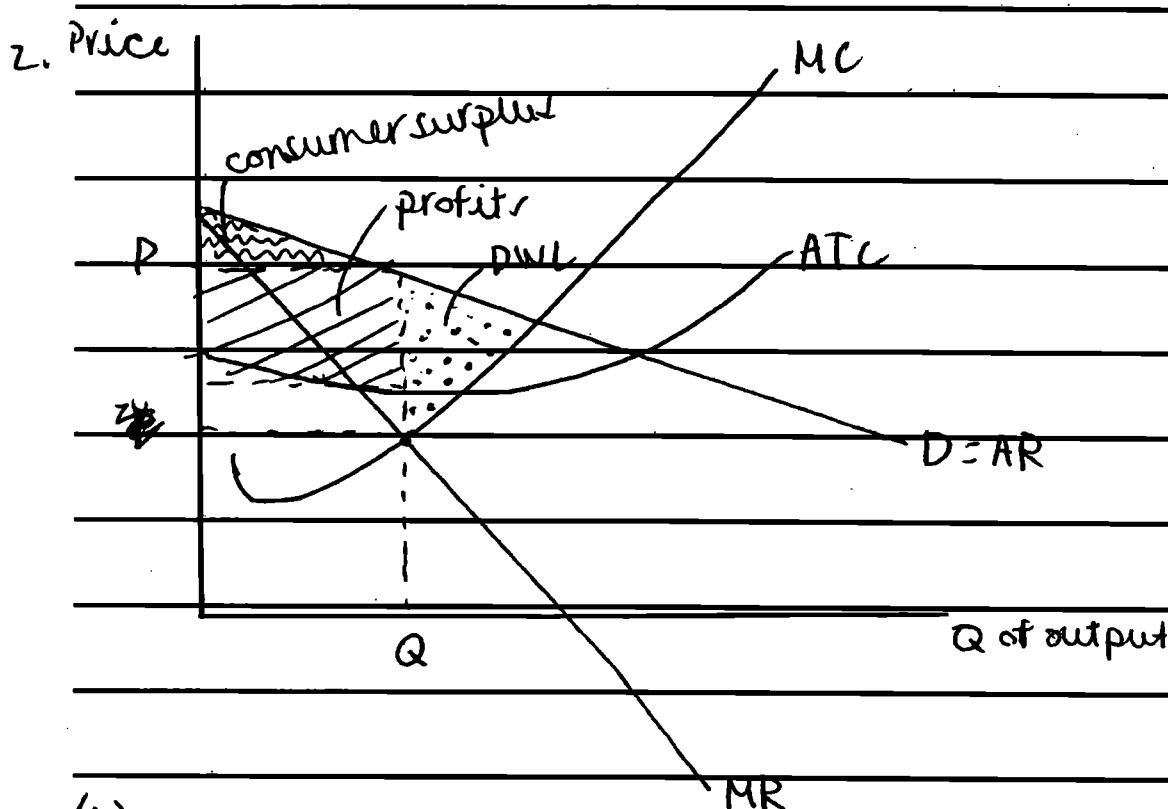
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2 MICLA



- i/ii) • monopoly produces where $MC = MR$ and $P > MC$
- iii) • $P = (P - ATC) \times Q$, as displayed in the graph

b. In a monopoly, to produce more, must decrease price
 so, to produce higher output must get lower price for each unit,
 even those you would have sold at a lower price

- this constitutes for ~~the~~ MR always being lower than the Demand curve in a monopoly (note Demand curve is the market demand)
- the amount of revenue on each unit \downarrow , when output \uparrow

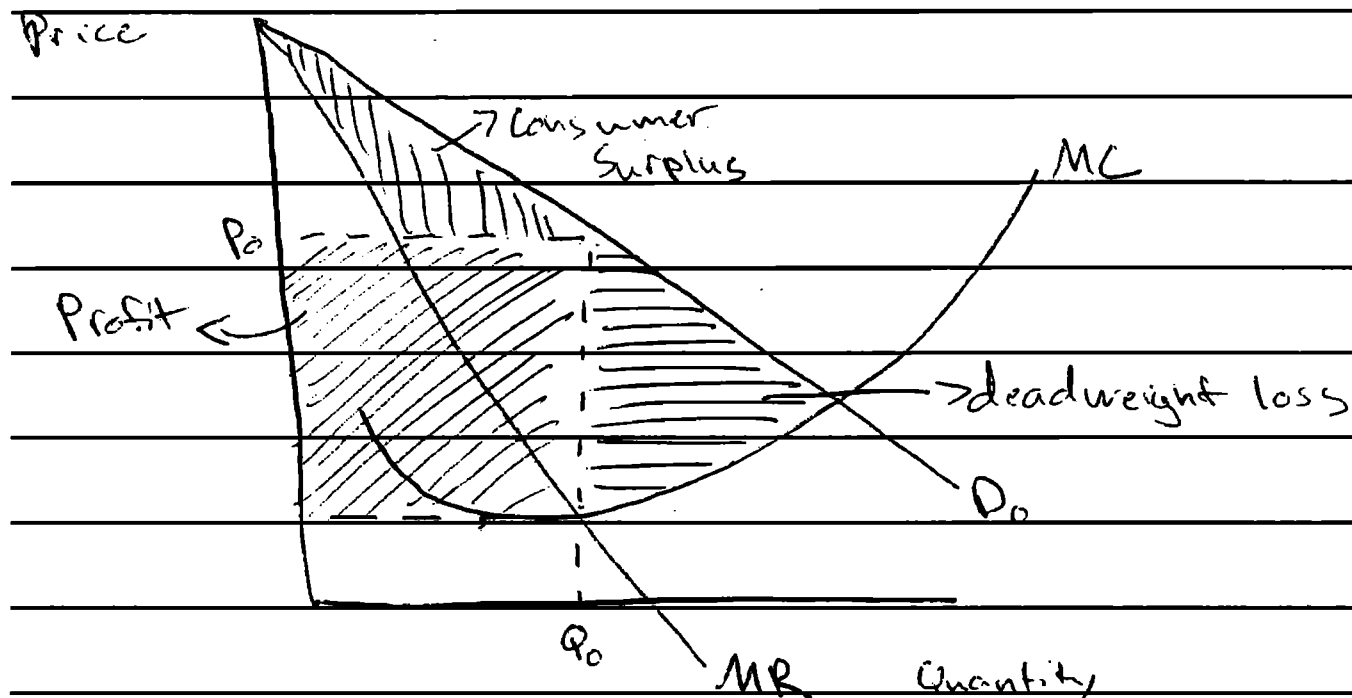
and $MR = \frac{\Delta TR}{\Delta Q}$, so MR will always be lower than D in a monopoly

- c. i) consumer surplus is the area (indicated by ~~the~~) above price and below the demand curve
- ii) DWL is the area ~~that~~ indicated by ~~the~~ and represents ~~total~~ deadweight loss.

2 MICLD

2

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The marginal revenue curve decreases at a faster rate than the demand curve does, thus demand always exceeds marginal revenue.