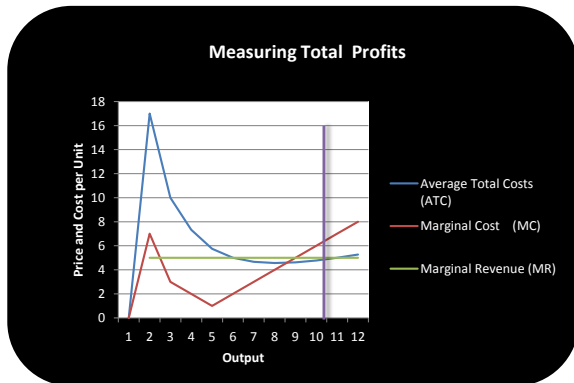
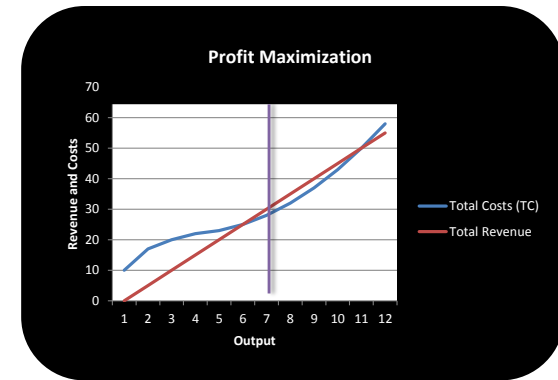
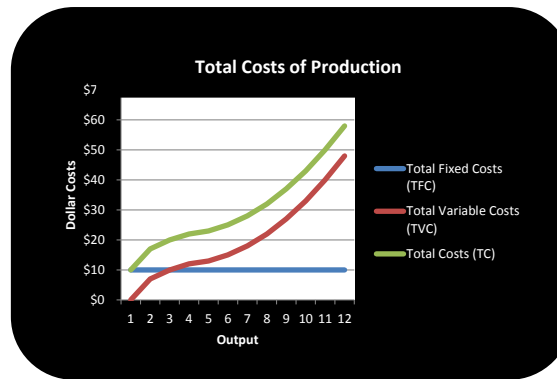
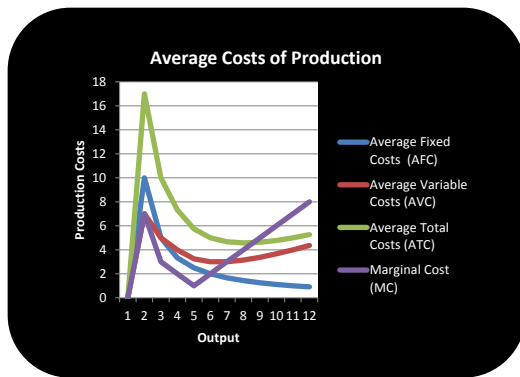


Costs of Production and Profit Maximization Analysis: Perfect Competition

Total Output/h r	Total Fixed Costs (TFC)	Total Variable Costs (TVC)	Total Costs (TC)	Average Fixed Costs (AFC)	Average Variable Costs (AVC)	Average Total Costs (ATC)	Marginal Cost (MC)	Market Price Perfect Competition	Total Revenue	Total Profit	Marginal Revenue (MR)
0	\$10	\$0	10	0	0	0	--	\$5	\$0	(\$10)	\$5
1	\$10	7	17	10	7	17.00	7	\$5	\$5	(\$12)	\$5
2	\$10	10	20	5	5	10.00	3	\$5	\$10	(\$10)	\$5
3	\$10	12	22	3	4	7.33	2	\$5	\$15	(\$7)	\$5
4	\$10	13	23	3	3	5.75	1	\$5	\$20	(\$3)	\$5
5	\$10	15	25	2	3	5.00	2	\$5	\$25	\$0	\$5
6	\$10	18	28	2	3	4.67	3	\$5	\$30	\$2	\$5
7	\$10	22	32	1	3	4.57	4	\$5	\$35	\$3	\$5
8	\$10	27	37	1	3	4.63	5	\$5	\$40	\$3	\$5
9	\$10	33	43	1	4	4.78	6	\$5	\$45	\$2	\$5
10	\$10	40	50	1	4	5.00	7	\$5	\$50	\$0	\$5
11	\$10	48	58	1	4	5.27	8	\$5	\$55	(\$3)	\$5

Marginal Cost = Marginal Revenue

Max. Profit at Profit Max. Output



- 1.) In perfect competition, $MC=MR$ is the profit maximization production level. Any more over this level will start to put into effect the Law of Diminishing Returns. Ultimately, it will cause you to lose profits.
- 2.) The monopolist is the only producer so they can set their own price. The firm would pick the place on the demand curve where $MC = MR$.
- 3.) By producing less output, or the firm charges a price above its marginal cost.