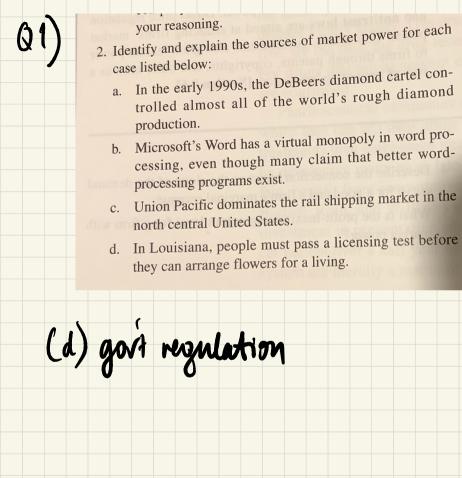
Lecture 12: In-dass Problems EVENING

11/17/2020



(a) control of key inputs (b) switching costs.

E network good (c) natural momopoly economies of scale, large fixel costs

are maximized.

- Suppose that a monopolistic seller of designer handbags faces the following inverse demand curve: P = 50 - 0.4Q. The seller can produce handbags for a constant marginal and average total cost of \$10. Calculate the profit-maximizing price for this seller.
 - Suppose the government levies a \$4 tax per unit on
 - sellers of handbags. Calculate how this tax will affect the price the monopolist charges its customers. c. Who bears the burden of this tax?

