Economics of Sports
ECON 4500

Spring 2012

Topic 1 - Monopoly

Outline
I Monopoly Behavior
   A. MR = MC
   B. MR and TR
II Elasticity
III Creating and Maintaining Monopoly Power in the Sports Industry
Elasticity Rule: \[ \frac{P - MC}{P} = \frac{1}{\varepsilon}, \] where \( \varepsilon \equiv \frac{-dQ}{dP} \frac{p}{q}. \)

Q. Why won’t a monopolist ever operate on the inelastic portion of its demand curve?

Q. Find monopoly price and quantity if the inverse demand is given by \( P = 100 - 2Q \) and the cost function is given by \( C(Q) = 10 + 2Q \).

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