Monopoly markets structure is defined by the fact that there is a single firm. There is no competition in these markets and the single firm sets its own profit maximizing price and output where its marginal cost is equal to its marginal revenue, that is, MC=MR. This type of monopoly market is referred to as a pure monopolist or a single firm industry.

A competitive firm will operate at a point where Price = MC, while a monopolized Industry operates where Price > MC. Thus price will be higher and the output lower if a Firm behaves monopolistically rather than competitively implying Pareto inefficiency (See

the figure below).If the firm behaved monopolistically it will produce quantity QM and sell at price PM  .Where MR=MC. If it were to behave competitively it would produce a higher quantity QC at a lower price PC.

PC

PM

QC

QM

D

MR

E

G

F

AR

MC