

The supply curve shows a unique relationship between price and quantity supplied. Under perfectly competitive market the MC curve of the firm is its supply curve. Because the quantity produced and sold by the firm is determined by different points lying on the MC curve where $MR = MC$ and $price = MC$.

The monopoly firm on the other hand determines the profit maximising equilibrium output where $MR = MC$ and $price > MC$. Therefore a unique relationship between price and quantity supplied cannot be established. In the monopoly market, given an increase in the demand for the product, there can be two different possibilities—

- (i) Same quantity can be supplied at different prices and
- (ii) different quantities may be supplied at the same price.

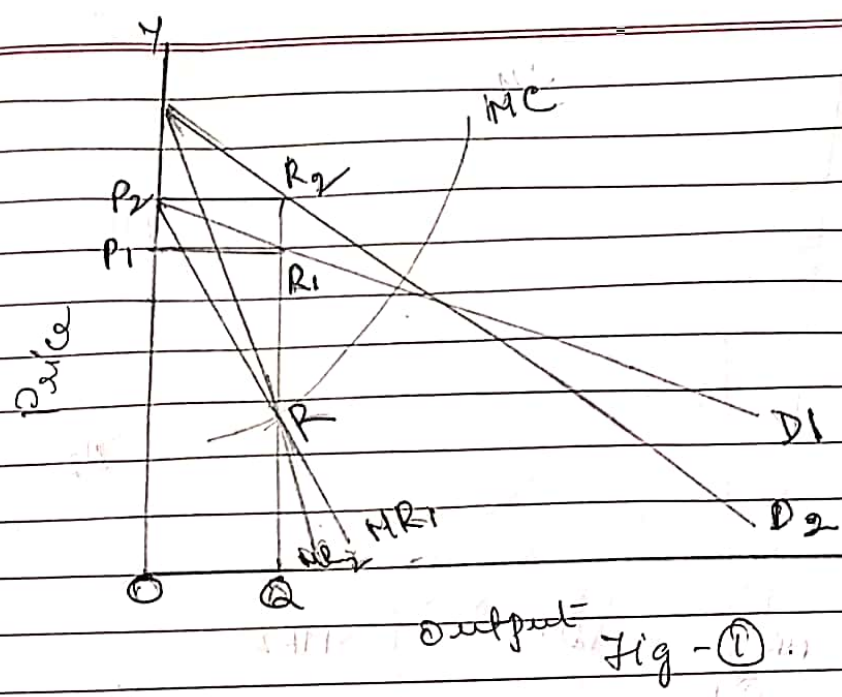
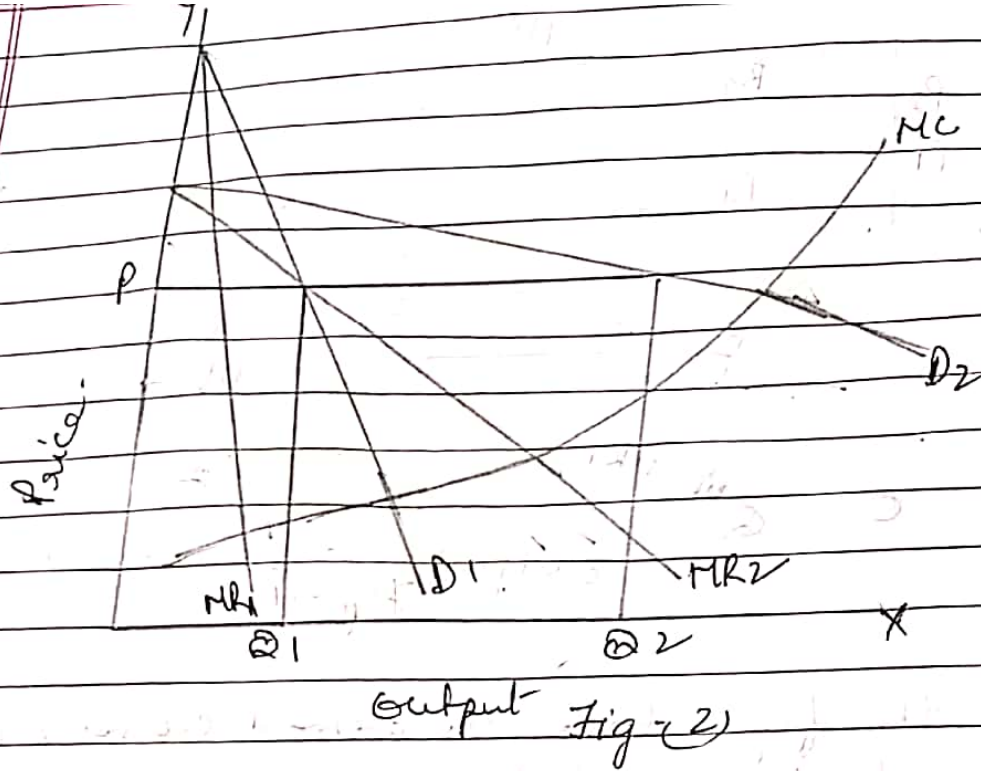


Fig - (1)

In the fig. above the demand curve is originally D_1 and the marginal revenue curve is MR_1 . Given the marginal cost curve MC , the equilibrium is determined at R . The equilibrium output is OQ and price is OP_1 . If the demand curve shifts to D_2 the corresponding marginal revenue curve is MR_2 . It intersects the MC curve again at R where equilibrium output is OQ price rises to OP_2 . So in this case as there is a shift in demand, the production or supply is the same at different prices.



In this fig. original demand curve is D_1 and the corresponding MR curve is MR_1 . The MC curve cuts MR_1 curve to determine the equilibrium output OQ_1 and the equilibrium price is OP . If there is a shift in the demand to D_2 the corresponding marginal revenue curve is MR_2 . The intersection between MR_2 and MC curves determines the equilibrium output OQ_2 . The equilibrium price remains at OP . In this case there are different levels of output or supply corresponding to constant price.

From both the explanation it is clear that there is no unique relation between price and quantity supplied in the monopoly market. Therefore it proves that supply curve unlike competitive market does not exist under monopoly. That is the concept of supply curve is not relevant under monopoly.