

Small

[Business](#), [E-Commerce](#)



E-Commerce Essay In this situation where the monopolist is not in a position to maximize his profits effectively after determining that his current output levels of the production costs is at \$2, a lot of things needed to be done to solve this situation. Generally, there are various approaches to this particular problem (Spate, 1983). The monopolist in this situation must be aware profit maximization entails the total cost-total revenue aspect specifically depends on the idea that the business profits are equal to the revenue minus cost hence focusing on maximizing the differences (Spate, 1983). It also entails maximizing the marginal costs and the marginal revenue perspectives depending on the total profit where it reaches the marginal revenue and costs. Therefore, in this situation, the monopolist can maximize his business profits by choosing his outputs in that the marginal revenues will be equal to the marginal costs. Alternatively, the monopolist can decide to charge high prices since he is not experiencing real competition in the market (Spate, 1983).

It is quite common to see many business owners still keeping their businesses open despite the deterioration instead of shutting the business down. The main answer to this is because of the total revenue and the total variable costs (Spate, 1983). Most business owners who are not in a hurry to shut down their business tend to be enjoying the total revenues, which are always greater as compared to the total variable costs. However, the biggest disadvantage of this situation is the fact that the profitability will not last forever. The profits and in this case the total revenues would be diminish with time (Spate, 1983).

Reference

Spate, O. H. K. (1983). *The Pacific since Magellan. Volume 2. Monopolists and freebooters.* Canberra: Australian National University Press.