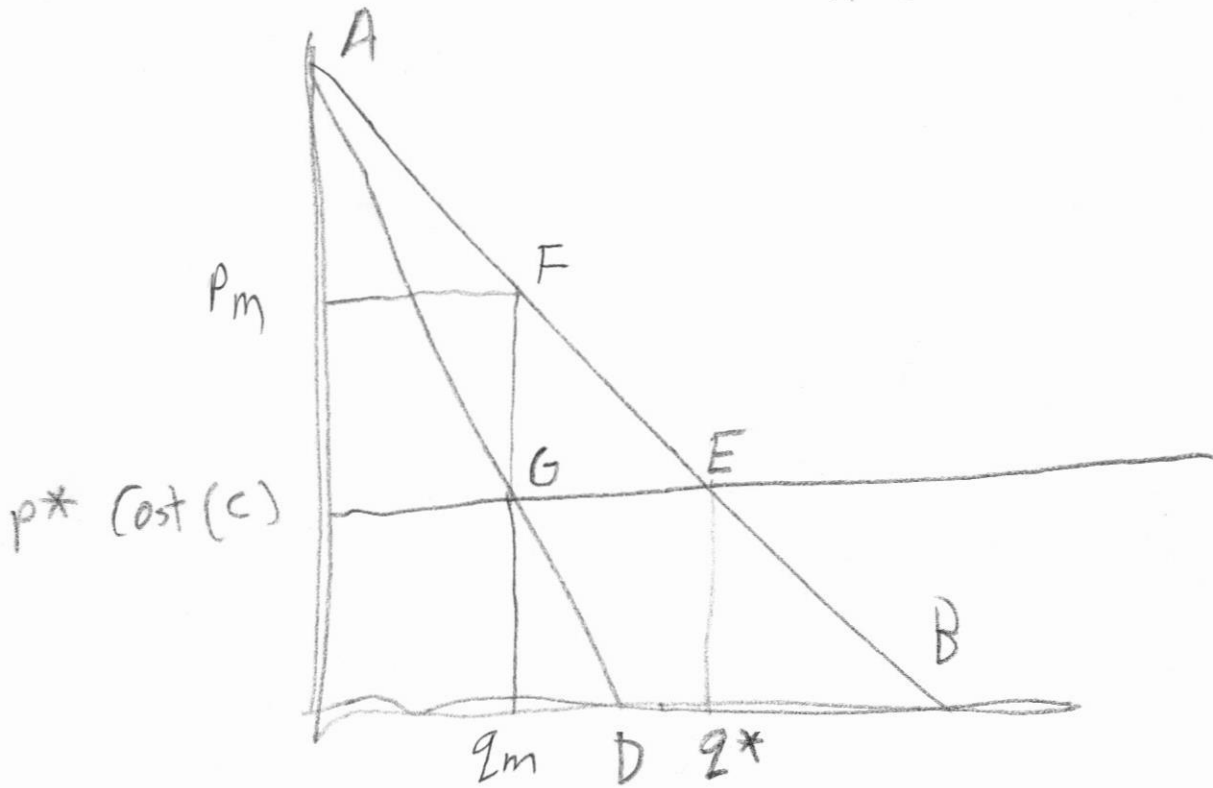


A-B Demand Curve
 A-D MR curve



C-O-P vs
 whif
 market
 subject.

FDA Reform
 Neg. v. Pos.
 rights

Cost = MC = AC scale economies

- 1) A-E-C Surplus (all consumer so no incentive for innovation)
- 2) IPR granted (temporary monopoly)
 Allows temporary monopoly + price discrimination
- 3) $P_m - F - G - C$ temporary above-normal profits due to IPR
- 4) upon expiration of IPR, ~~back~~ to competition leads back to A-E-C
- 5) BUT IPR leads to more innovation
- 6) BUT F.M.A. Brand loyalty + Reputation of F.M.A.
 doesn't compete away fully
 so IPR is rent-seeking

