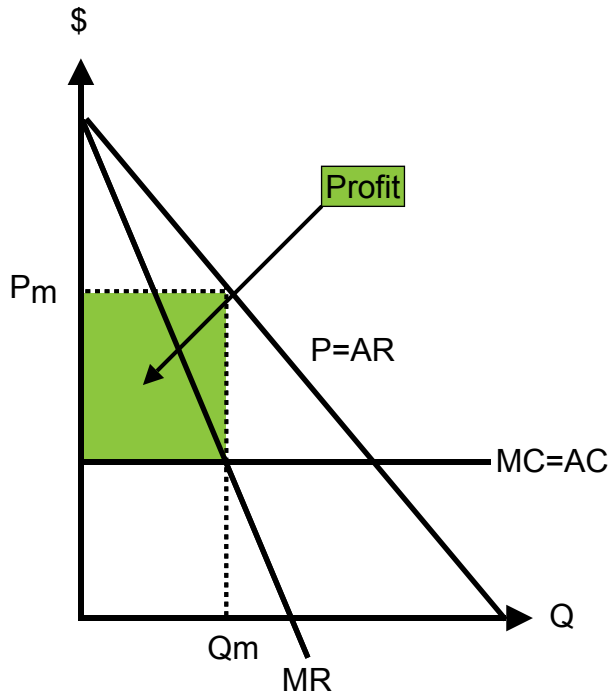
Taxing monopolies
(Tax on profits vs per unit-tax)

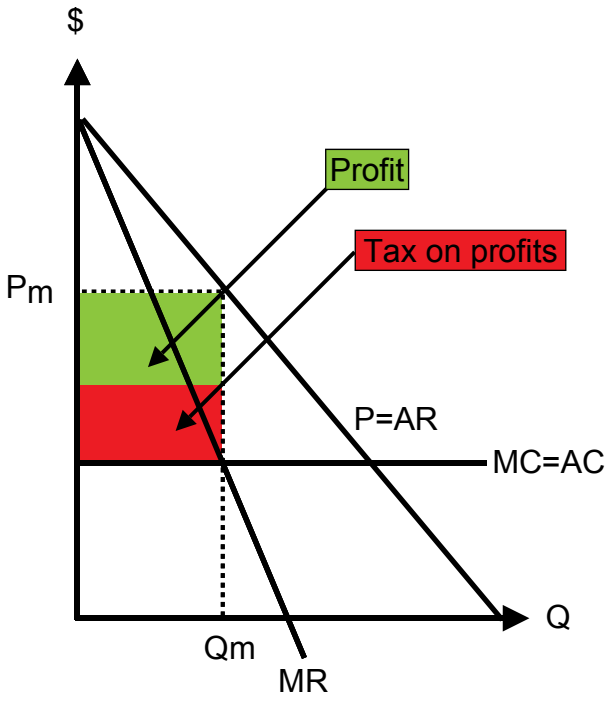
1 Situation without a tax



Abbreviations:

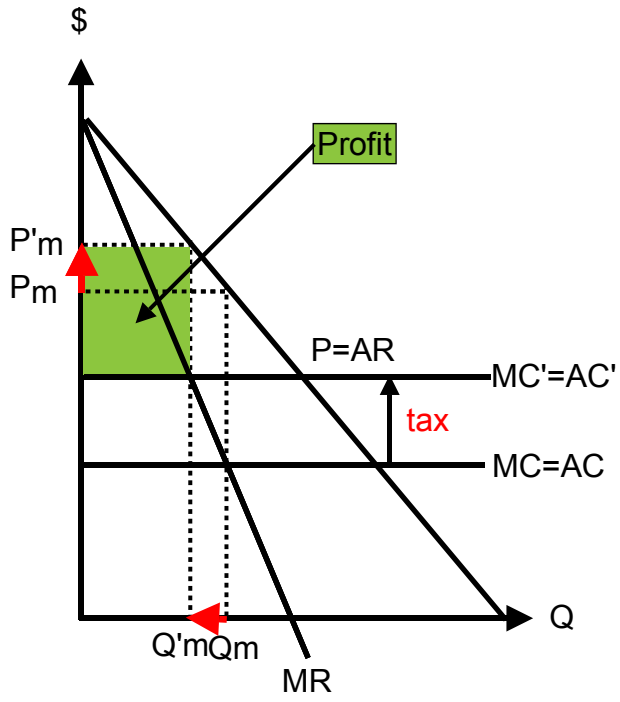
P	Price
AR	Average revenue
MR	Marginal revenue
MC	Marginal cost
AC	Average cost
Q	Quantity
m	Monopoly

2 Situation with a tax on profits



- MC and AC are unaffected.
- Q_m and P_m are unaffected.

3 Situation with a per unit-tax



- MC and AC are rising by the tax.
- Q_m is falling, P_m rising.