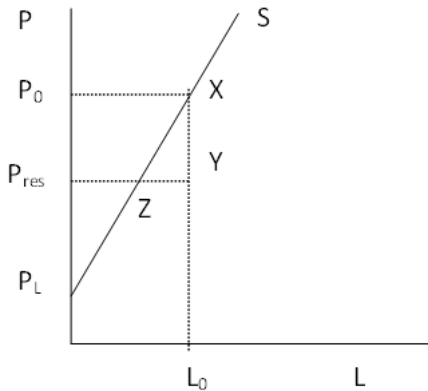


26. Incorrect. The answer is true not false.



The minimum price that a monopolist is willing to accept rather than drop out of the market is the price at which producer surplus is zero. Then the monopolist will be willing to sell L_0 at a price below P_0 , which equals the marginal cost of L_0 , as long as his gains on the first units offset the losses on the last units. The lowest acceptable price at which his profits are zero, i.e. the reservation price, is such that the area $P_{res}P_LZ=XYZ$, or $P_{res}L_0 - \int_0^{L_0} MCdL = 0$. Solving for P_{res} :

$$P_{res} = \int_0^{L_0} MCdL/L_0$$

$$P_{res} = \int_0^{L_0} (30 + 2L)/L_0$$

$$P_{res} = (30L_0 + L_0^2)/L_0 = 30 + L_0 = 0 \rightarrow L_0 = 30$$