Oligopoly

1. For a duopoly with the following demand curve ($Q = 100 - 10P$) and the assumption that the marginal cost of production is zero,

Q	P	Total.Income
0	100	0
1	90	90
2	80	160
3	70	210
4	60	240
5	50	250
6	40	240
7	30	210
8	20	160
9	10	90
10	0	0

   - Explain each firm's profit-maximising position?
   - Calculate total output, total profit and the profit for each firm?
   - What is the profit maximising position if there is *collusion*?
   - Explain the term *Nash Equilibrium* identify the Nash Equilibrium for this example,

2. How does globalisation affect oligopolistic industries like cars?

3. Describe the *kinked demand curve*. What are the consequences of this demand curve for firms?

4. Looking at figure 16.7 in the textbook, explain why there is no equilibrium at the point where each firm charges 20 pounds for the product.

5. In the context of Game Theory, give an example of the following

- *Nash Equilibrium*
- *Dominant Strategy*
- *Credible Threat*
- *Commitment*

6. Explain the following terms
   - *Cournot Reaction Function*
   - Residual Demand
   - *First mover advantage*
   - Nash equilibrium for the Bertrand model