

Comparing the Contestable Market and Cartel Models

◆ The stronger the ability of oligopolists to collude and prevent entry, the closer the oligopoly price would be to the monopoly price

◆ The weaker the ability to collude and to prevent entry, the closer the oligopoly price would be to perfectly competitive pricing

◆ Most oligopoly markets lie between these two extremes.

Comparing the Contestable Market and Cartel Models

- ◆ The **stronger** the ability of oligopolists to **collude** and **prevent entry**, the closer the oligopoly price would be to the **monopoly price**
- ◆ The **weaker** the ability to **collude** and to **prevent entry**, the closer the oligopoly price would be to **perfectly competitive pricing**
- ◆ Most oligopoly markets lie **between** these two extremes.

Prisoner's Dilemma