Overview of Market Structures

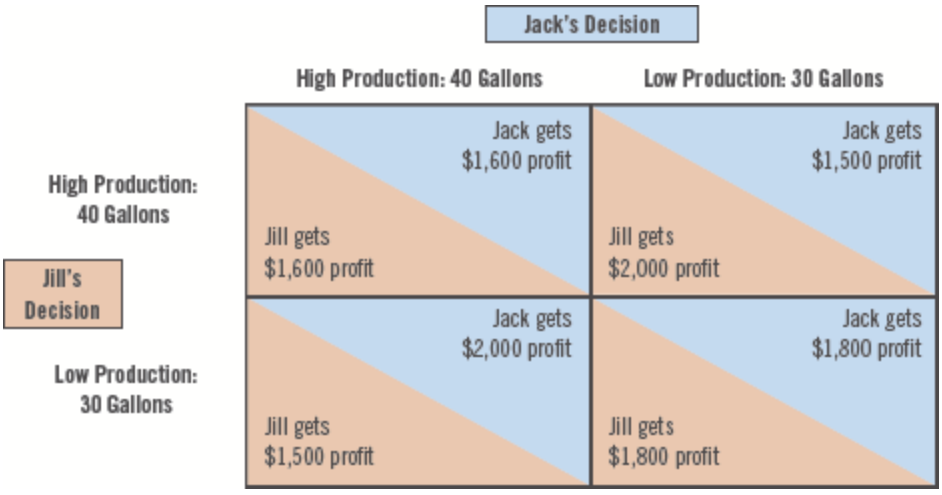
The 4 market types:

Feature	Perfect Competition	Monopolistic Competition	Oligopoly	Monopoly
Number of Sellers	Many	Many	Few	One
Type of Product	Identical	Differentiated	Identical or Differentiated	Unique (No close substitutes)
Market Power	None	Some	Significant	Absolute
Price	Price Taker	Price Maker	Price Maker	Price Maker
Entry & Exit	Free	Free	Barriers	Barriers

Review from Class

We use the demand curve $P = 120 - Q$ (where $Q = q_1 + q_2$) and $MC = 0$.

- **Cartel Output ($q = 30$):** Total $Q = 60$, Price $= 60$. Profit for each is $60 \times 30 =$ **$1,800**.
- **Cournot Output ($q = 40$):** Total $Q = 80$, Price $= 40$. Profit for each is $40 \times 40 =$ **$1,600**.
- **One Cheats ($q = 40$), One Complies ($q = 30$):** Total $Q = 70$, Price $= 50$. Cheater profit is $50 \times 40 =$ **$2,000**. Complier profit is $50 \times 30 =$ **$1,500**.



- What is the Nash equilibrium?
- Why is the Nash equilibrium **WORSE** for both players than the cartel?

- Why **ISN'T** the cartel agreement the Nash Equilibrium?
- **WOULD** the cartel hold if the game were played repeatedly?
    - Finite Play or finitely repeated games
    - Infinite Play or indefinitely repeated games