**CHAPTER 12: Monopolistic competition and Oligopoly**

**Checklist**

Can you do the following regarding **pricing with market power**?

* Define Monopolistic Competition
* Explain the characteristics of Monopolistic Competition
* What are the 2 key characteristics?
* Why is perfect competition desirable?
* What are the 2 sources of inefficiency in monopolistic competition?
* Should monopolistic competition markets be regulated? Why?
* Define Oligopoly
* Discuss the characteristics of Oligopoly
* Define duopoly
* Explain what is the Nash equilibrium
* Discuss the Cournot model
* Define reaction curve
* Discuss the Stackleberg model
* Discuss the Bertrand model
* Discuss the ‘prisoner’s dilemma’
* Define payoff matrix
* Define price rigidity
* Explain the kinked demand curve
* Define price signaling
* Define price leadership
* Define dominant firm
* Explain what is a cartel

**CHAPTER 12: Monopolistic competition and Oligopoly**

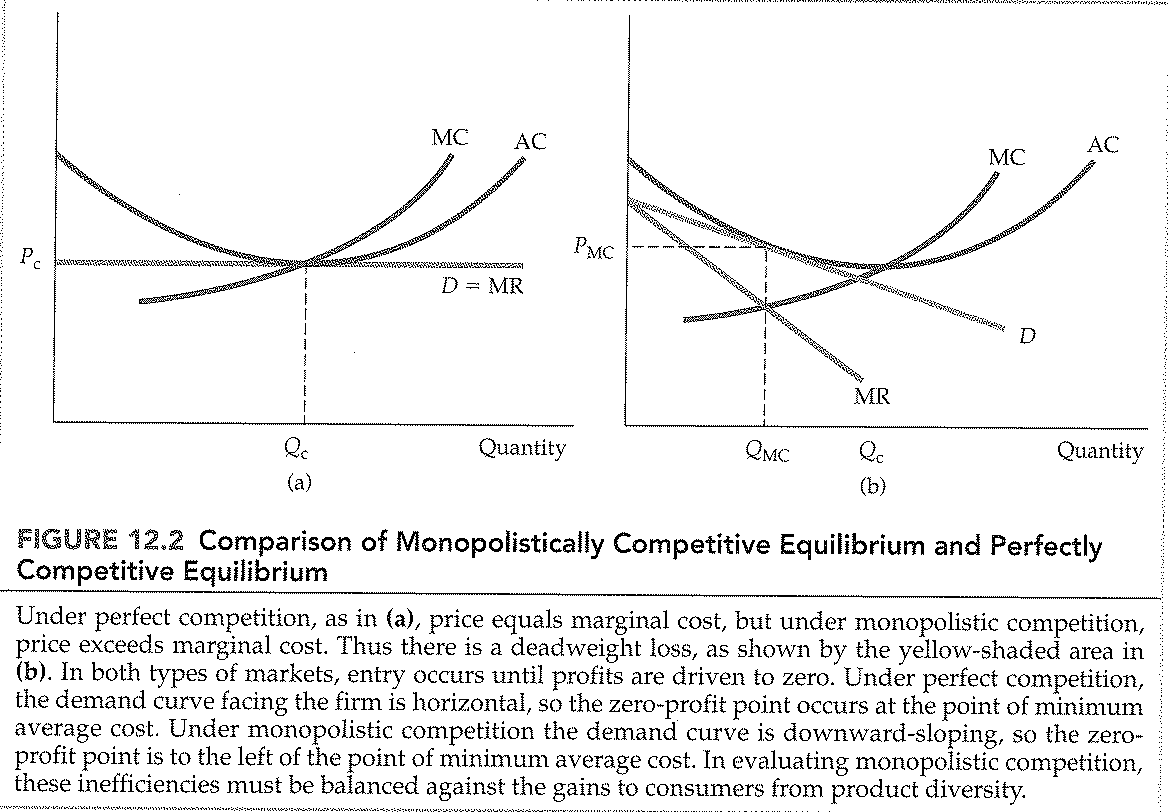
**Monopolistic competitive firm in SR and LR**



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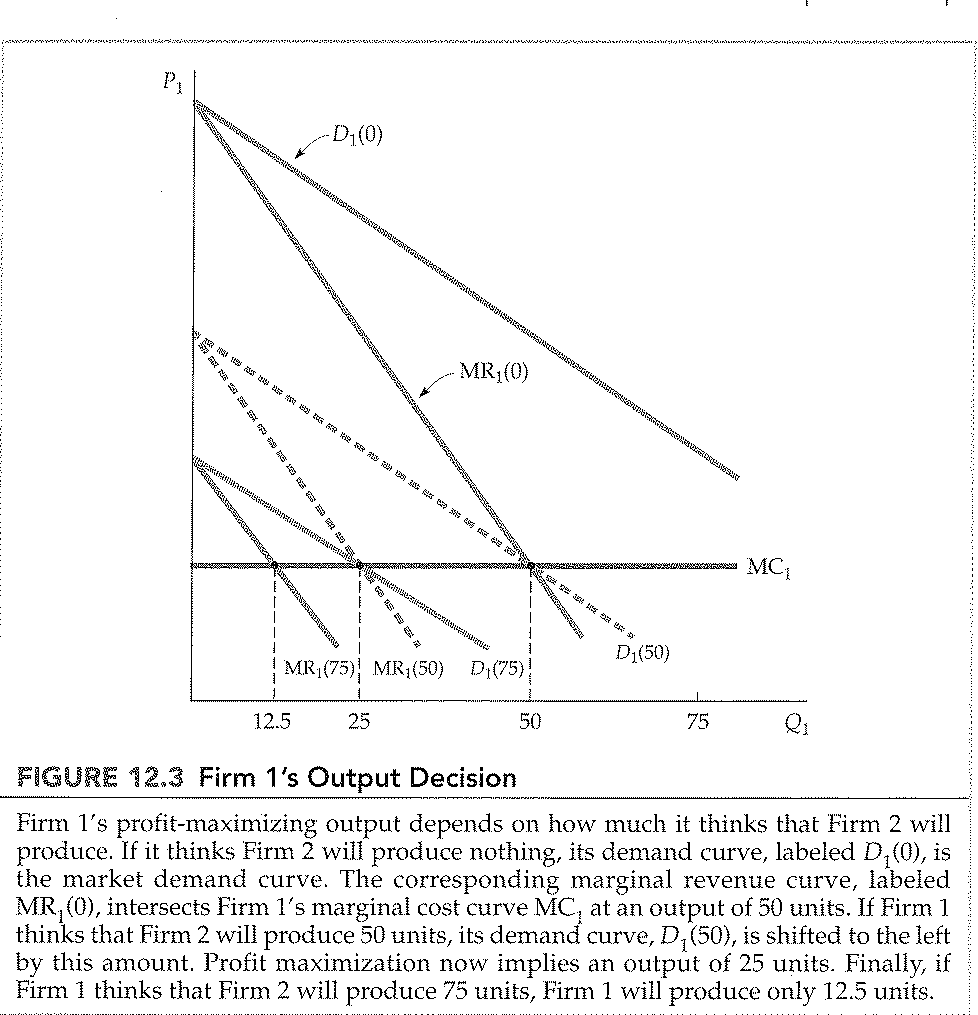
**Monopolistic competition equilibrium vs. perfectly competitive equilibrium**



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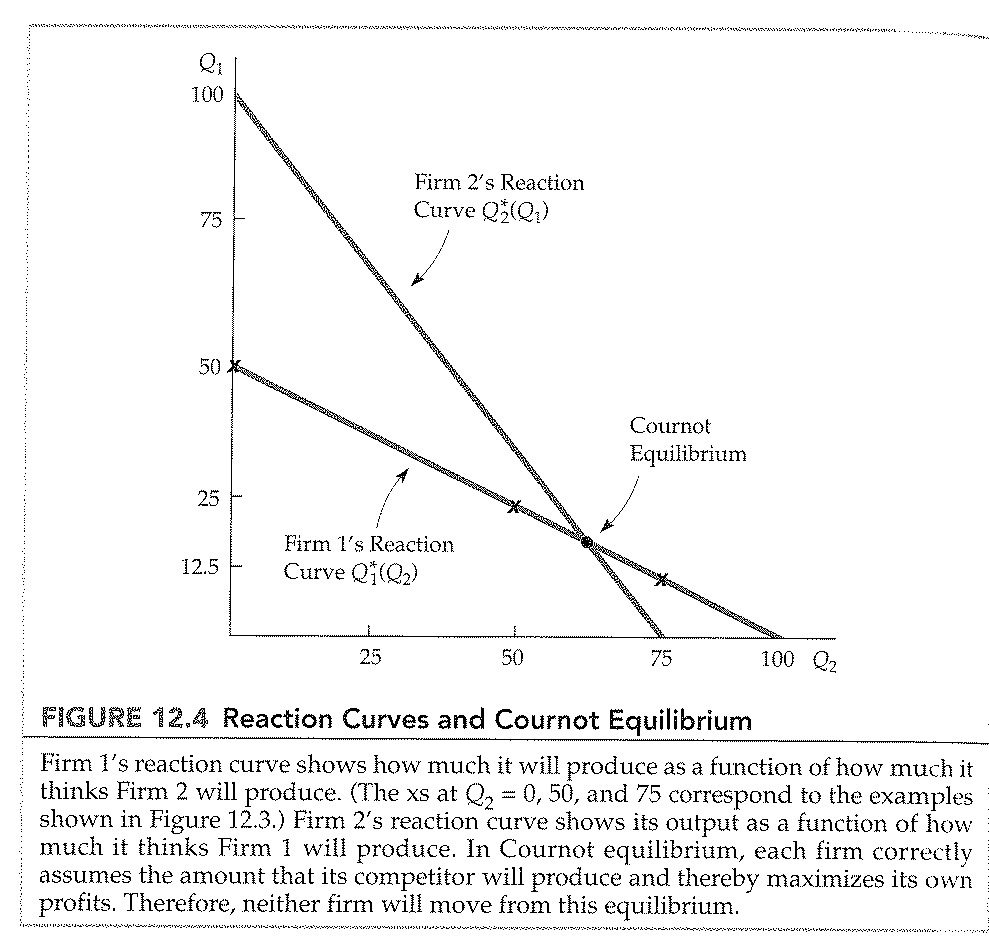
**Firm 1’s output decision**



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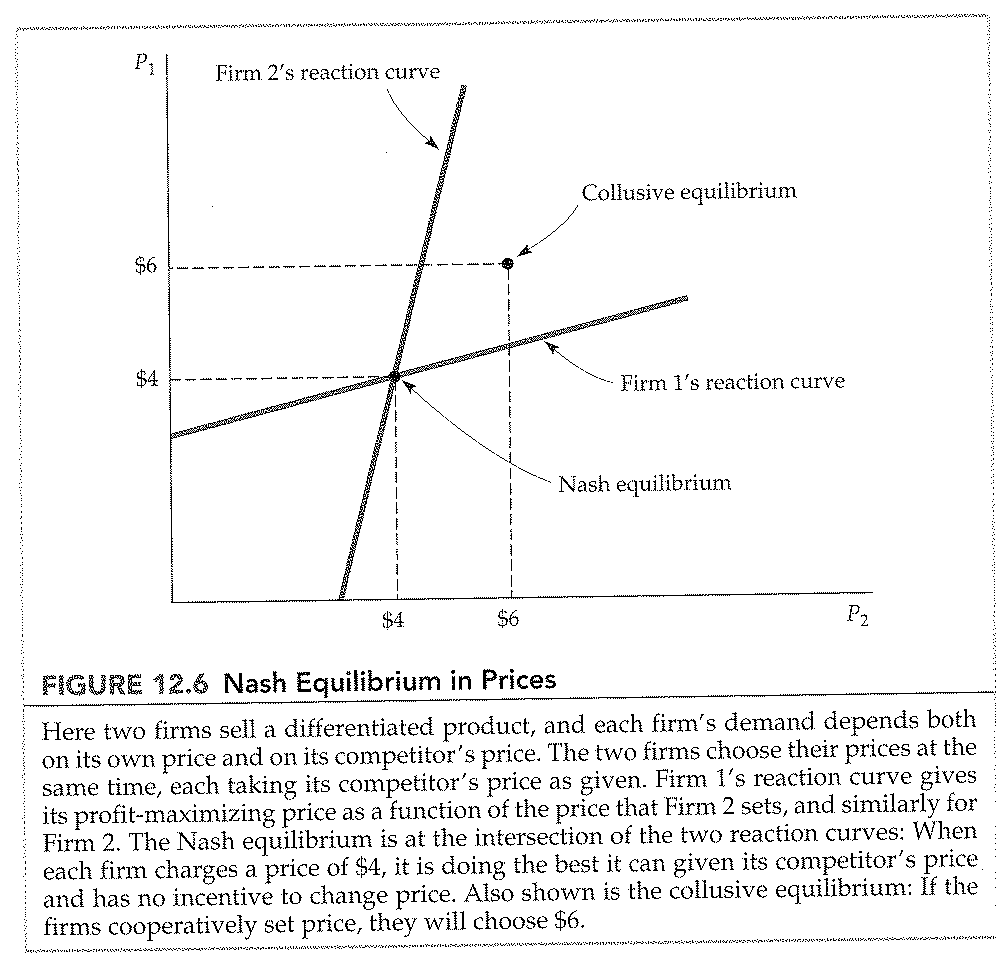
**Reaction curve and Cournot model equilibrium**



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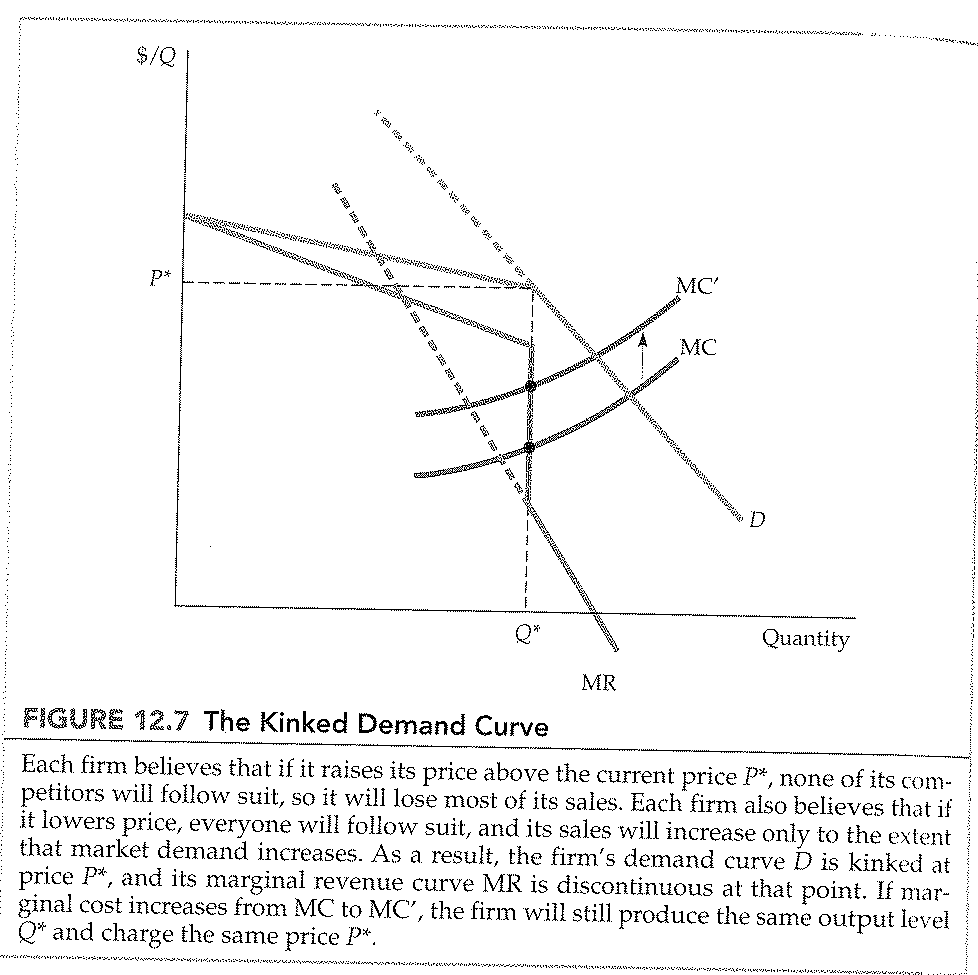
**Nash equilibrium in prices**



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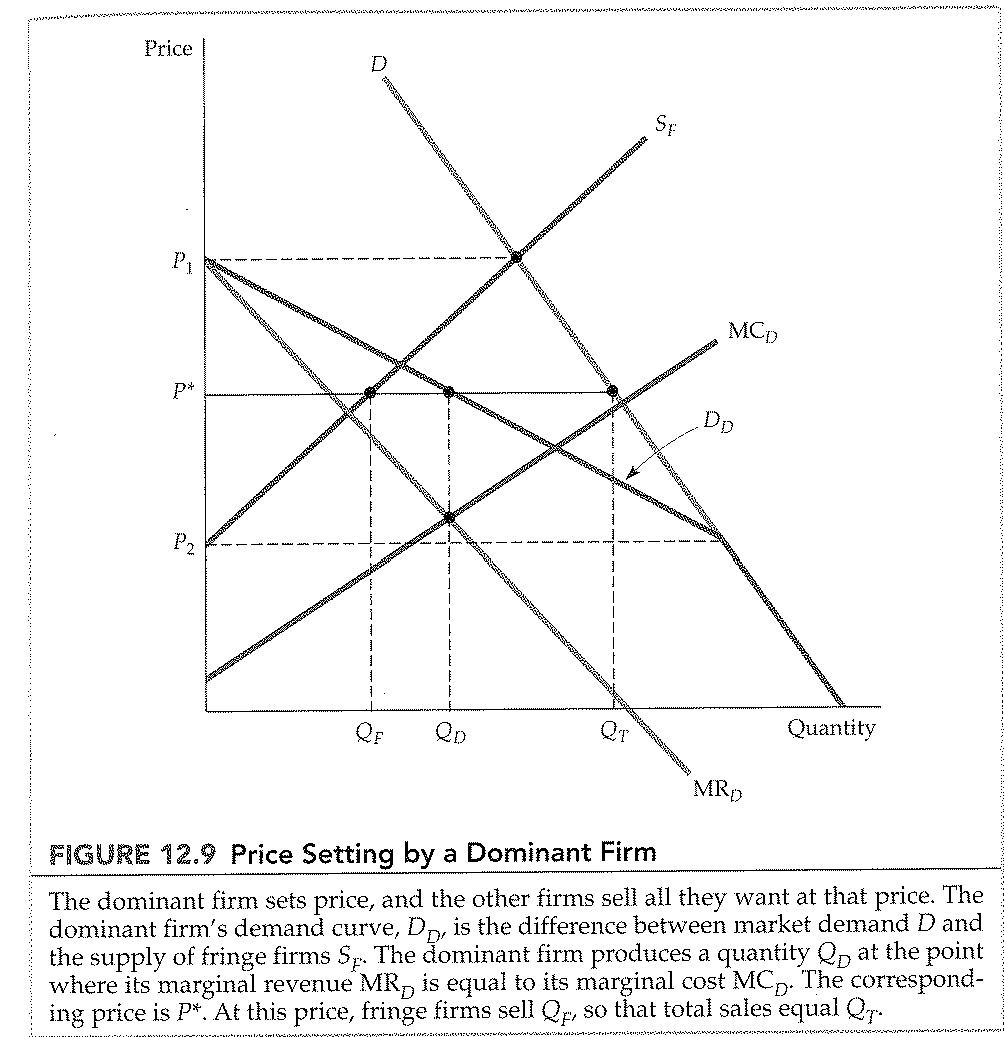
**The kinked demand curve**



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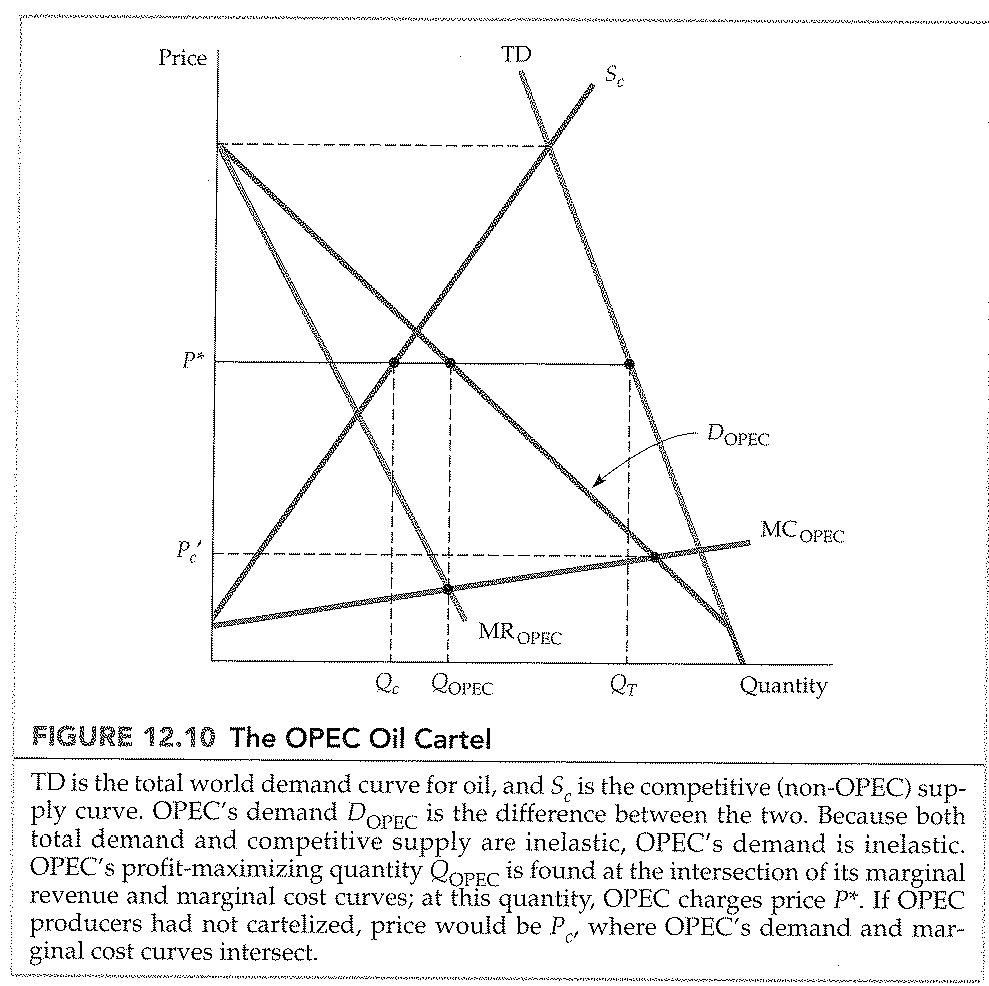
**Price setting by a Dominant firm**



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**CHAPTER 12: Monopolistic competition and Oligopoly**

**The OPEC oil cartel**



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