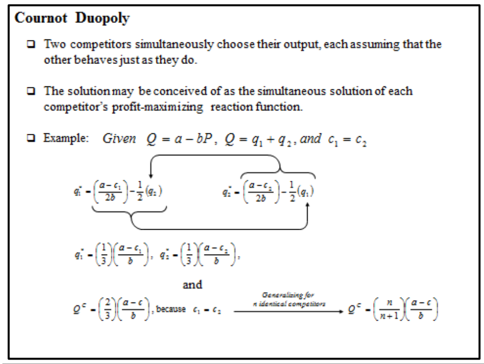
Rose-Hulman Institute of Technology
Department of Humanities & Social Sciences / K. Christ
SV353, Industrial Organization

2.3: Structural Oligopoly Models

In this part of the class we will examine four formal models of oligopoly:

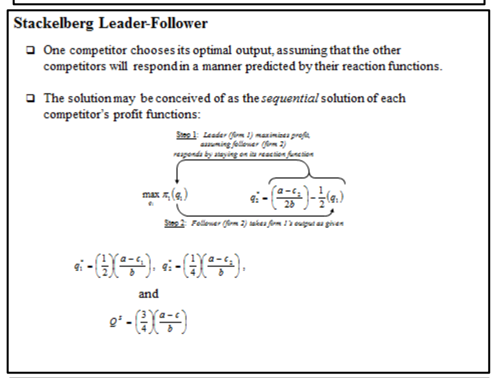
- Cournot
- Stackeberg (Leader-Follower)
- Bertrand

Key concepts:
Duopoly
Reaction functions



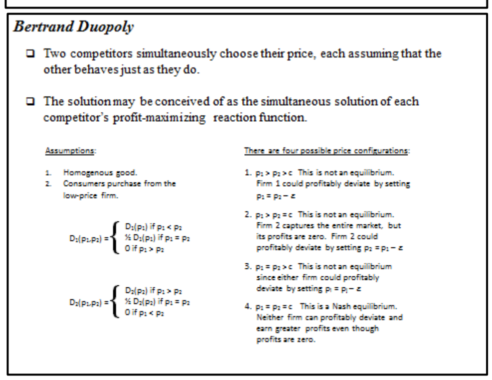
Cournot competition is a simultaneous game in which the players' key decision variable is quantity. A key concept:
Cournot limit theorem

Stackelberg competition is a sequential game in which the players' key decision variable is quantity.

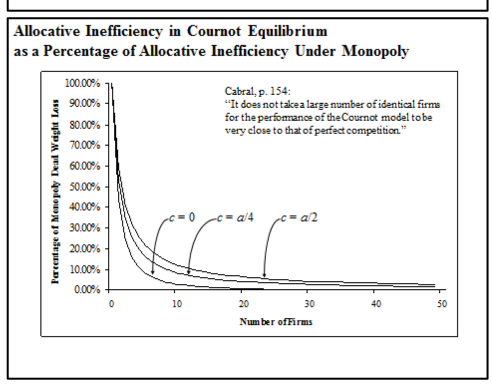


Bertrand competition may be thought of as a simultaneous game in which the players' key decision variable is price. Key concepts:

- Capacity constraints
- Dynamic competition
- Product differentiation



The efficiency of Cournot competition converges to that of perfect competition as the number of firms goes to infinity (the Cournot limit theorem). But how quickly might this convergence occur?



Relevant exercises: Problem Set 2, exercises 4 and 5.