

# Oligopoly

## Notes

### “OLIGOPOLY” TARGETS

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### WHAT IS OLIGOPOLY?

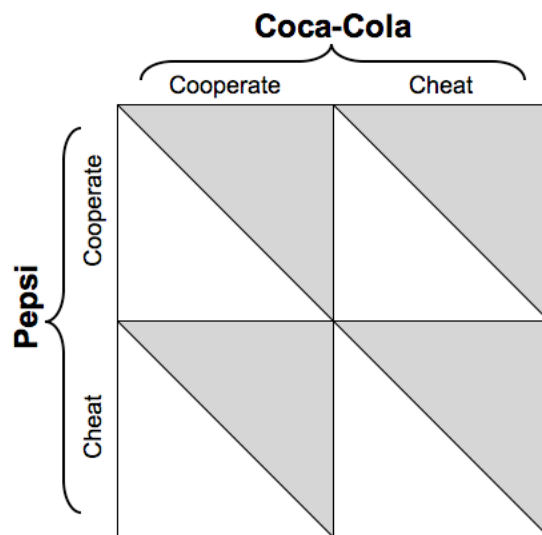
Oligopolies share many characteristics with monopolies, but the forces that create oligopolies are not as strong as those that create monopolies.

- 1)
- 2)
- 3)
- 4)

### STRATEGIC BEHAVIOR AND OLIGOPOLY

In our Warm Up Activity, the game was a **one-shot game**. Let’s suppose, however, that oligopolists get to play a similar game over and over again.

- 1)
- 2)
- 3)
- 4)



**COLLUSION OR COMPETITION**

Although collusion will almost certainly produce more profits for each oligopolistic firm, it is unclear whether they will collude or if they will compete.

**1) Colluding Oligopolists**

A)

B)

**2) Competing Oligopolist**

A)

B)

**TACIT COLLUSION**

Even though formal agreements to collude are illegal, oligopolists may still engage in **tacit collusion**, which is an informal understanding to cooperate.

**1)**

**2) If an oligopoly has any of these characteristics, however, tacit collusion is more difficult.**

A)

B)

C)

D)

**THE KINKED DEMAND CURVE**

If we assume an oligopoly is operating under tacit collusion, it can be graphically represented as a **kinked demand curve**.

**1)**

**2) Demand is steep to the right.**

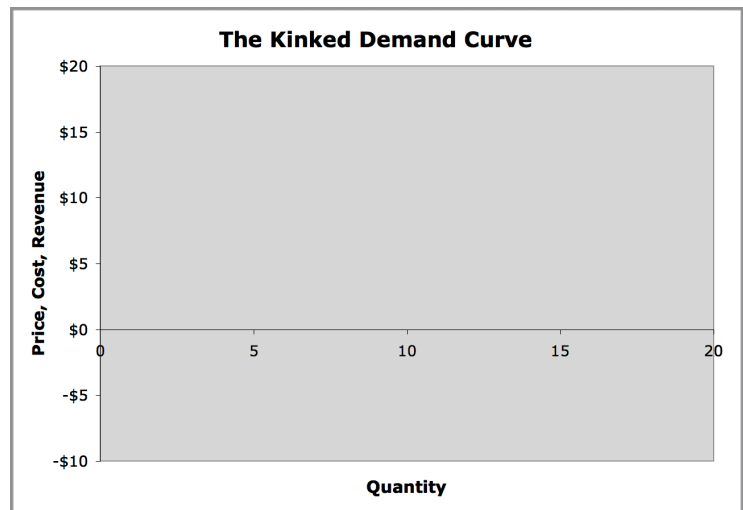
A)

B)

**3) Demand is flat to the left.**

A)

B)



**OTHER CHARACTERISTICS**

Oligopoly is a very unpredictable market structure, but here are a few more characteristics that may exist in oligopolies.

**1)**

**2)**

**3)**

**4)**