

## EE481 In-Class Exercise: Dominant Firms

Let there be 1 dominant firm and 1 small fringe operating in the market. The market demand can be written as

$$P = 100 - (q_D + q_F),$$

Where  $q_D$  is quantity produced by the dominant,  $q_F$  is quantity produced by the fringe. Let the dominant has a constant marginal cost of 10 per unit of output. Let the fringe's supply function be

Find the equilibrium market price,  $q_D$ ,  $q_F$  and profit earned by each firm.