# PRICE LEADERSHIP: DOMINANT FIRM

ASSUMPTIONS:

1. Market consists of one dominant firm plus a number of small, identical firms.

2. Dominant firm sets price

3. Dominant firm allows smaller firms to sell whatever quantity at this price, and supplies the rest of the market

4. Dominant firm knows market demand and supply of small firms

# COURNOT DUOPOLY

ASSUMPTIONS:

1. Two firms with identical costs, producing identical product

2. No co-operation

3. Firms set own quantity and assumes that other firm will not react

4. Simultaneous decision-making

5. Producers have perfect info about demand; consumers have perfect info about prices