



[Glossary]

Cournot Model, Reaction Curves and Bertrand Model

Subject:	Business Economics
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Unit No. & Title:	Unit – 1 Market with Imperfect Competition (Oligopoly)
Lecture No. & Title:	Lecture – 3(One) Cournot Model, Reaction Curves and Bertrand Model

Glossary

Competition

The process of consumers bidding prices upwards or producers cutting prices in order to achieve maximum gains in a market trade

Strategy

In a theoretic game the choice or action of one player that is independent of the choices made by other players in the game.

Equilibrium

A situation where there is no tendency for an economic variable to change.

Marginal Cost

The cost of producing one more unit of a good in the short run

Monopoly

A market structure where only one firm exists in a given industry this firm has a high degree of market power such that it is able to act as a price-maker with respect to market prices.

Oligopoly

A market structure with only a few firms in a given industry

Duopoly

A market structure with only two firms in a given industry

Perfect Competition

A market structure where many firms exist and each firm has a small percentage of market share in the market of a homogeneous product. These firms are all price-takers with no influence on market price.

Reaction curve

The curve that represents decisions of one firm to change price or quantity in response to the decisions of the other firm

Stable equilibrium

An equilibrium that is restored if disrupted by an external force