Cournot & Bertrand Competition — Practice Problems

ECON 326 — Spring 2023

Suppose Firm 1 and Firm 2 have a constant $MC = AC = 8$. The market (inverse) demand curve is given by:

$$P = 200 - 2Q$$
$$Q = q_1 + q_2$$

1. Find the Cournot-Nash equilibrium output and profit for each firm if they compete on quantity.

2. Find the output and profit for each firm if the two were to collude.

3. Find the Nash equilibrium price each firm charges if they compete on price.

4. Find the industry price, output, and profits under this equilibrium (in part 3).