

Oligopoly Market Calculation Example

The market for domestic paints is supplied by two large oligopolistic suppliers. One of the suppliers faces a composite demand curve made up of two components;

$$p = 2000 - 0.33x \quad \text{and} \quad p = 1600 - 0.17x$$

where p is the price (£ kg⁻¹) and x is the quantity supplied (kg week⁻¹)

- (a) Calculate the price and quantity of the chemical supplied in order to maximise profit, assuming that the marginal cost curve intersects the composite marginal revenue curve within the disjuncture.

- (b) Calculate the magnitude of the disjuncture in the composite marginal revenue curve.