number of firms. This continues until all firms earn only normal profits. Therefore, in the long-run, firms, in such a market, earn only normal profits.

Price and Output Determination Under Oligopoly

Cournot's Model - As per Cournot's model, each duopolistic thinks that regardless of his actions and the effect upon the market of the product the other will go on producing the same commodity.

Stackelberg Model - The producer under a duopoly structure integrates the decision level of his rival. It then integrates in its own profit function and thereby maximizes profit. Thus, Leader-follower relation emerges.

Bertrand Model - According to this model, producers try to set lower the price until the price is equal to the cost of production.

Edgeworth Model - Each duopolistic think that his rival will continue to charge the same price as he is just doing irrespective of what price he decided to set. No determinate equilibrium will exist under duopoly.

Collusive Oligopoly - According to this model, firms form a cartel. Firms jointly fix the price and output with a view to maximizing joint profit. For example, OPEC countries form a cartel.

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Price and Output Determination under Monopoly

Short-run Equilibrium - Short-run refers to that period in which time is so short that a monopolist cannot change the fixed factors like plant and machinery. However, the monopolist is free in making price decision due to the lack of competition. It means that the monopolist can fix the price for the product as she/he likes. A monopolist has control over the market supply. Hence, she/he is a price-maker. Thus, under the given cost and demand situation of his/her product in any period, she/he has to determine the price and the output simultaneously.

Conditions for Equilibrium - The following conditions must be fulfilled in order to attain equilibrium under monopoly:

1. MR = MC
2. MC must intersect MR from below.

Long-Term Equilibrium - Long-run is a period in which a firm can change both fixed and variable factors. In long-run, the monopolist has enough time to adjust the size of the plant at a certain level of output to maximize its profit. In the monopoly, the entry of new

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