Problem Set XIV

The following diagram depicts an oligopolistic market containing a dominant firm that is the profit-maximizing price leader:

1. What quantity on the $x$-axis represents or closely approximates
   a. the profit-maximizing output of the dominant firm? Why?
   b. the profit-maximizing output of the remaining firms combined? Why?
   c. the total quantity of output supplied on the market? Why?

2. What value on the $P_x$-axis represents or closely approximates
   a. the market price? Why?
   b. the marginal cost at the profit-maximizing output of the dominant firm? Why?
   c. the marginal cost at the profit-maximizing output of the remaining firms? Why?