Microeconomic Theory II.
Spring, 2006.
Problem Set 5.

Due: Tuesday, April 25.


Also do:
1. Consider a symmetric Cournot oligopoly in a homogenous good market with \( n \geq 1 \) firms where the cost function of each firm is given by:

\[
C(q) = \frac{q^2}{2}
\]

and the market demand is given by

\[
D(p) = 1 - p.
\]

Derive the Cournot-Nash equilibrium and the associated price and profit.
Derive the deadweight welfare loss.
What happens to the industry outcome as \( n \to \infty \)?