

Bertrand Oligopoly and Comparisons of Equilibrium
Prices in a Market for Homogeneous Product

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Abstract

A set of general necessary and sufficient conditions for Bertrand equilibrium in a market for completely homogeneous product is presented. Comparisons with other equilibrium prices are performed. Counter to our intuition, there is a fairly large class of industry structures where the Cournot equilibrium is simultaneously a Bertrand equilibrium and where there are Bertrand equilibrium prices strictly higher than the Cournot equilibrium price. The result shows that the original Bertrand's criticism against Cournot that Cournot equilibrium is not “stable” against price competition does not hold in general.

Keywords: Bertrand equilibrium, monopoly, perfect competition, Cournot equilibrium

JEL Classification: D43, L13.