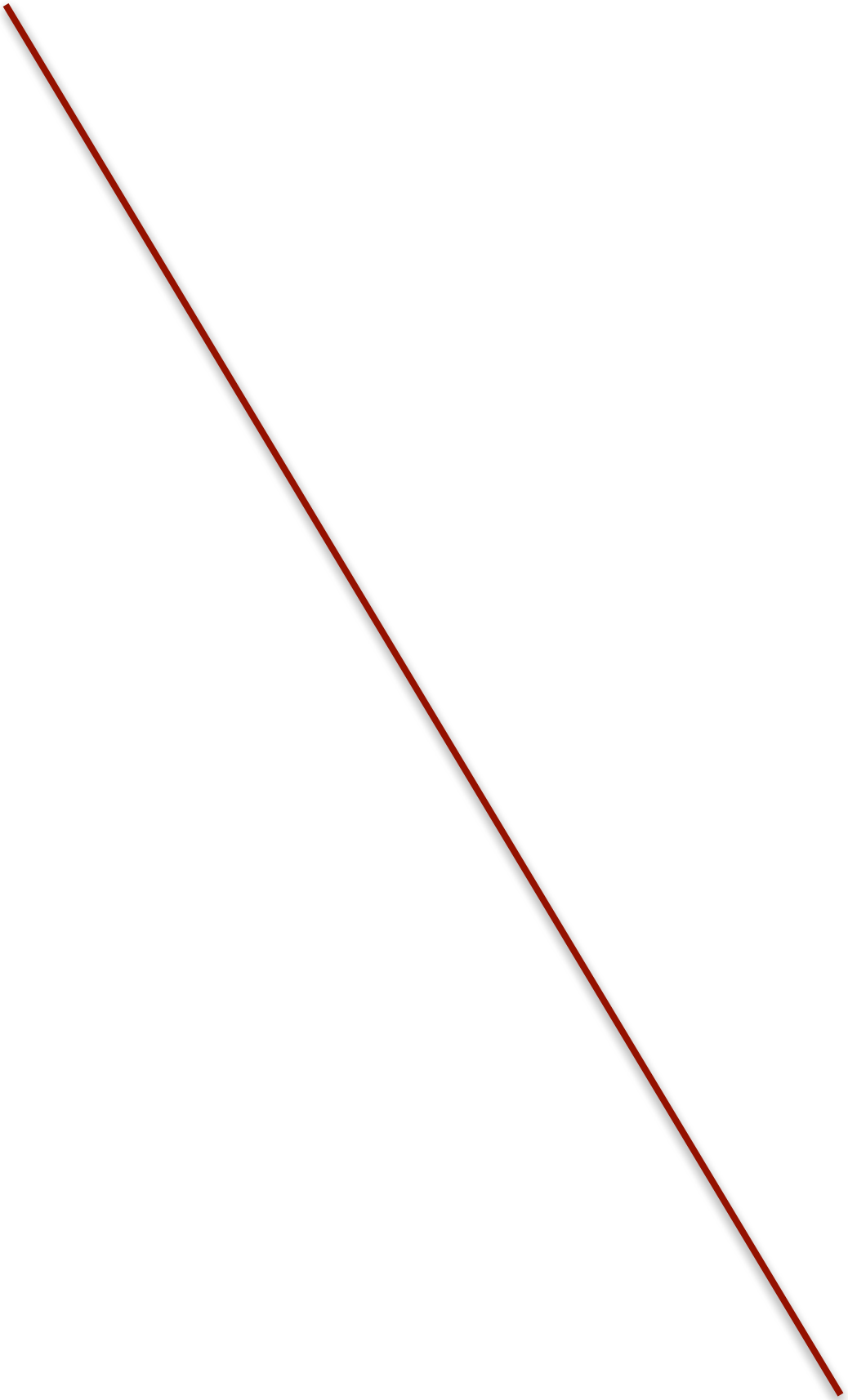
MC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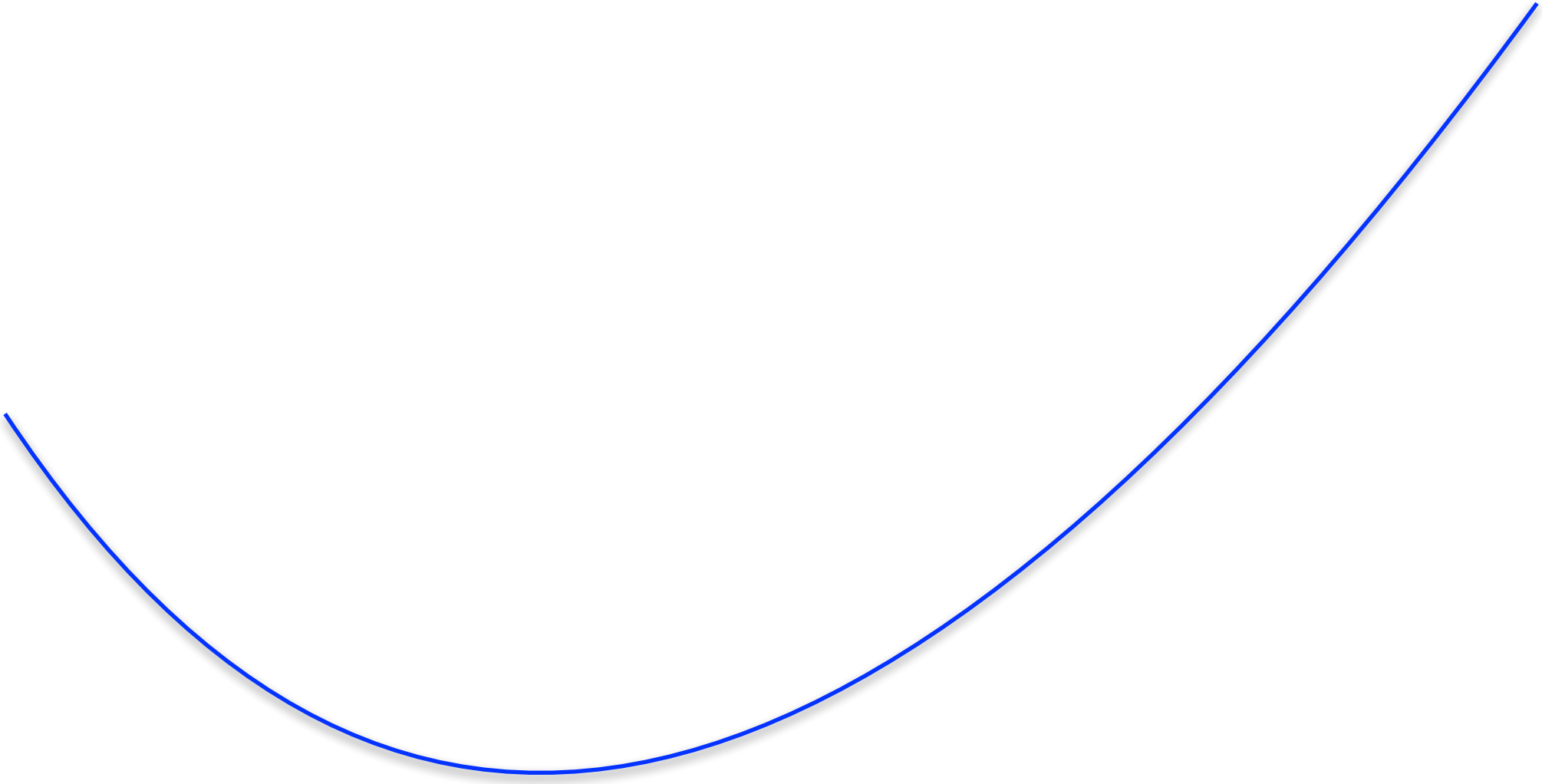

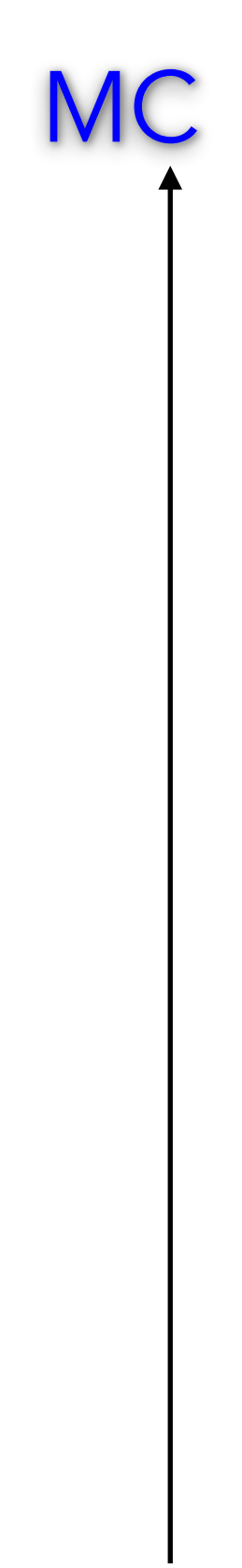
MC

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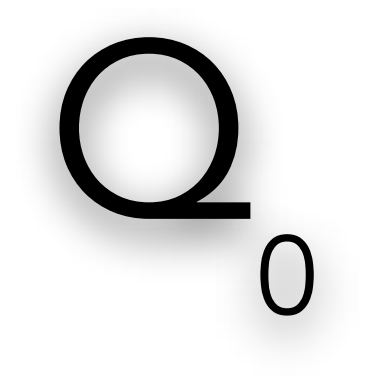
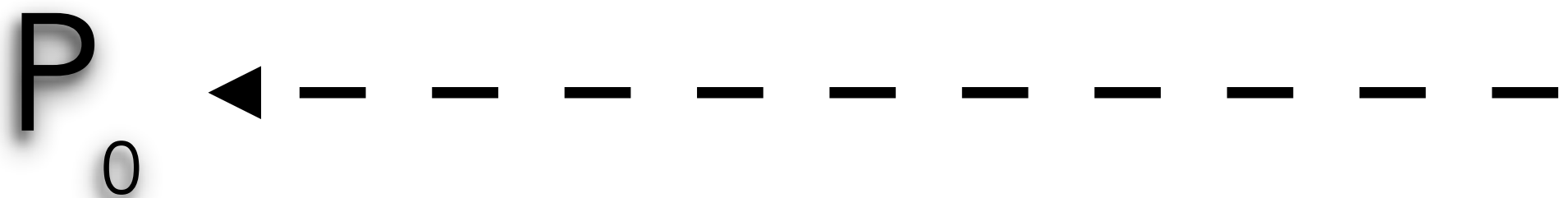

Q
0

The Dominant Firm choose its output Q_0 to maximize its own profits

MC = MR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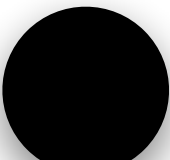
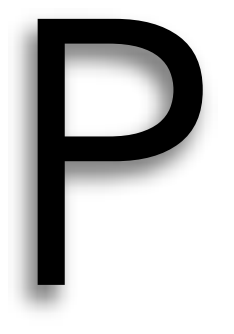
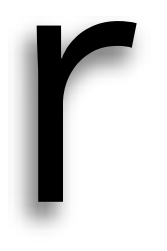
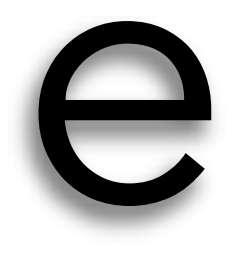
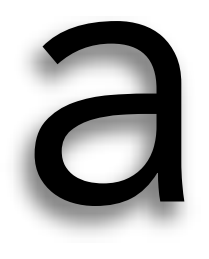


To sell Q_0 units, the firm sets the industry price equal to P_0





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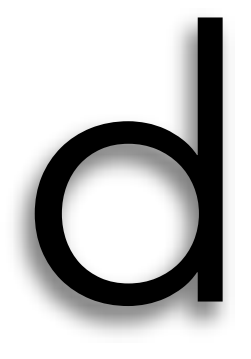

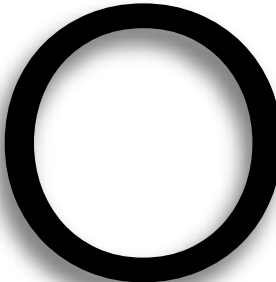

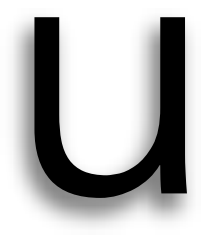

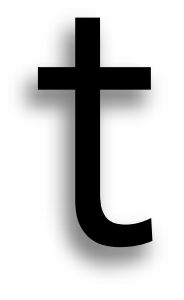

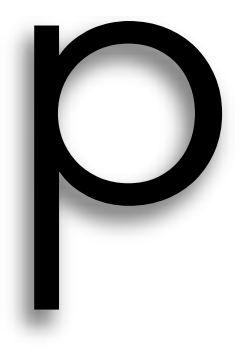

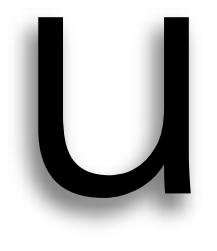

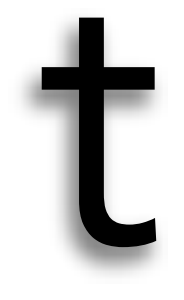

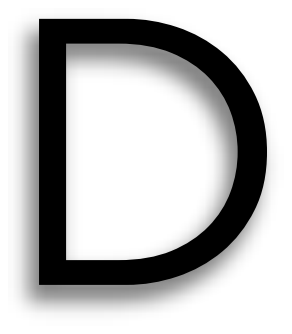

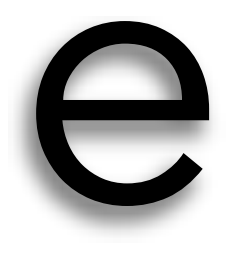

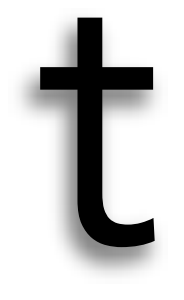

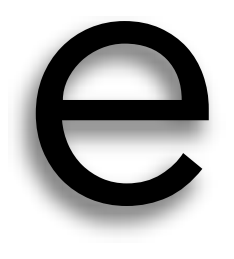

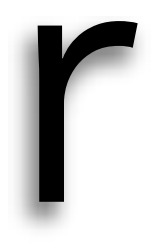

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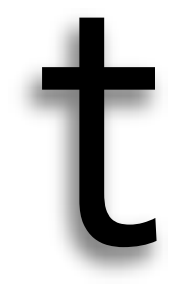

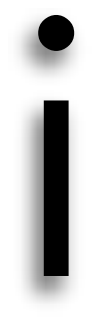

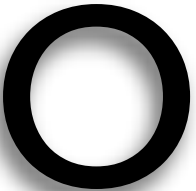

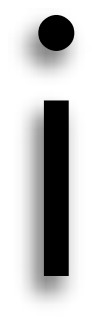

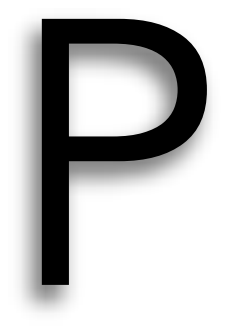

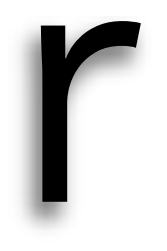

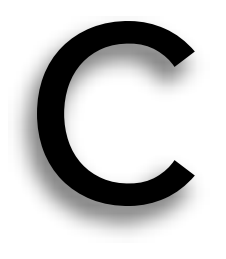
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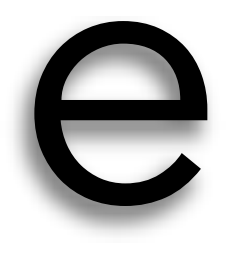

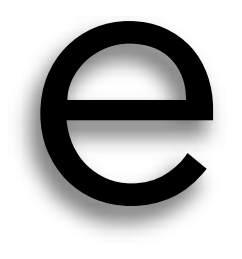

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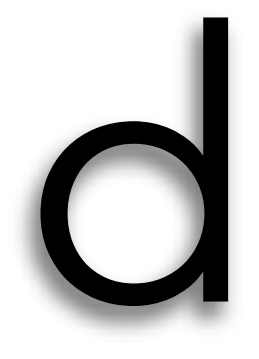

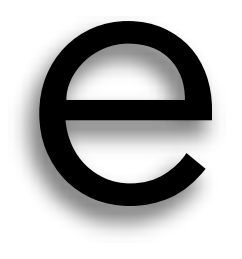

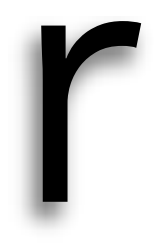

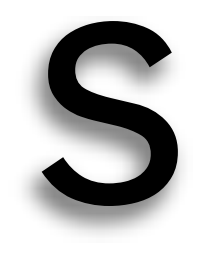

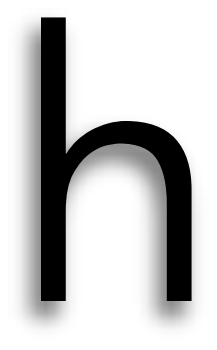

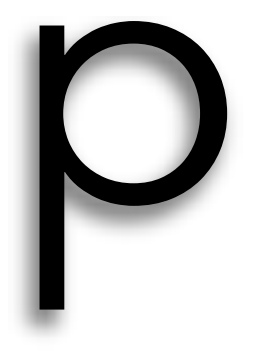

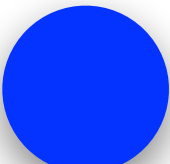

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All other firms must charge this same price

An effective enforcement mechanism would be the threat of a price war which smaller firms can not survive

Price and Output Determination in Price Leadership

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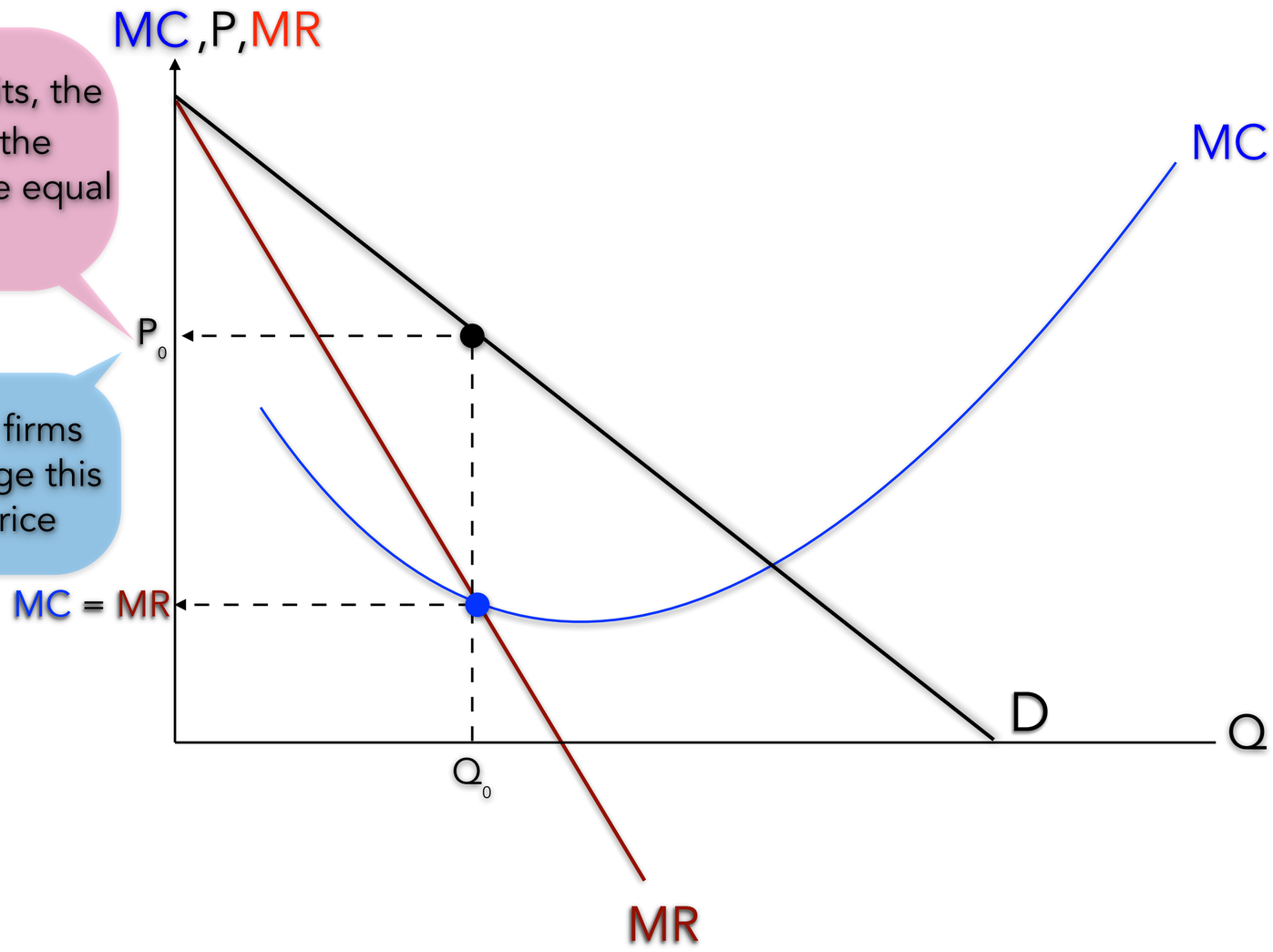
To sell Q_0 units, the firm sets the industry price equal to P_0

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