

9. What is the cost to a firm in an oligopoly that fails to take rivals' actions into account? Suppose the firm operates along demand curve D_1 , shown below, as if no firms will follow its lead in price cuts or price rises. In fact, however, other firms do follow the price cuts, and the true demand curve below price P_1 lies below D_1 . If the firm sets a price lower than P_1 , what will happen?

