

**Question 1: (1 point)**

**Fill in the blanks:**

Indicate whether the following issue concerns microeconomics or macroeconomics:

The effect of market interest rate on the economic conditions of Canada \_\_\_\_\_

- A. Micro
- B. Macro

**Question 2: (1 point)**

**Fill in the blanks:**

Indicate whether the following issue concerns microeconomics or macroeconomics:

The impact of workers' productivity on a company's decision to expand production or not \_\_\_\_\_

- A. Micro
- B. Macro

**Question 3: (1 point)**

**Fill in the blanks:**

Indicate whether the following issue concerns microeconomics or macroeconomics:

Training and hiring decisions made by businesses \_\_\_\_\_

- a. Micro
- b. Macro

**Question 4: (1 point)**

**Fill in the blanks:**

Indicate whether the following issue concerns microeconomics or macroeconomics:

Advertising decision of a product by a firm \_\_\_\_\_

- a. Micro
- b. Macro

**Question 5: (1 point)****Fill in the blanks:**

Indicate whether the following issue concerns microeconomics or macroeconomics:

The impact of currency depreciation on a country's economy \_\_\_\_\_

- a. Micro
- b. Macro

**Question 6: (1 point)****Fill in the blanks:**

Indicate whether the following issue concerns microeconomics or macroeconomics:

How do I allocate my budget between food and clothing \_\_\_\_\_

- a. Micro
- b. Macro

**Question 7: (5 points)**

Using the PPC table below, calculate the opportunity cost of producing one more of one good in terms of the other (as asked below), between each point (between A & B; B & C; etc.).  
Don't Include the negative sign or the words 'Capital' or 'Consumer'

| Combination | Consumer | Capital |
|-------------|----------|---------|
| A           | 0        | 738     |
| B           | 140      | 723     |
| C           | 280      | 676     |
| D           | 420      | 590     |
| E           | 560      | 443     |
| F           | 700      | 0       |

1. What is the opportunity cost of one consumer good from A to B \_\_\_\_\_
- 2: What is the opportunity cost of one consumer good from B to C \_\_\_\_\_
- 3: What is the opportunity cost of one consumer good from C to D \_\_\_\_\_
- 4: What is the opportunity cost of one capital good from F to E \_\_\_\_\_
- 5: What is the opportunity cost of one capital good from E to D \_\_\_\_\_

### Question 8: (6 points)

The demand for product X depends on the price of product X as well as the average household income (Y) according to the following relationship

$$Q_{dx} = 750 - 35 P + 0.001Y$$

The supply of product X is positively related to own price of product X and negatively dependent upon W, the price of some input. This relationship is expressed as:

$$Q_{sx} = 120 + 20 P - 2 W$$

Given that Y = 20,000 and W = 4, what is the:

1. Equilibrium price? \_\_\_\_\_

2. Equilibrium quantity? \_\_\_\_\_

Suppose that income increases to 30,000 and W remains constant. What is the new:

3. Equilibrium price? \_\_\_\_\_

4. Equilibrium quantity? \_\_\_\_\_

Assuming that income remains constant at 30,000 and W increases to 9, what is the new:

5: Equilibrium price? \_\_\_\_\_  
6. Equilibrium quantity? \_\_\_\_\_

**Question 9: (4 points)**

Assuming a normal market, with a positively sloped supply and negatively sloped demand, which is initially in equilibrium. Given the situation stated below, fill in the blanks matching the effect as either: increase, decrease, no change or indeterminate (cannot determine).

**Market for ORANGES**

A Ministry of Health study proves conclusively that moderately large quantities of orange juice help prevent the common cold, and severe frost occurs in south Florida. As a result,

**(a)**

Fill in the blanks:

Demand will \_\_\_\_\_

- a. Not change
- b. Is indeterminate (can't be determined)
- c. Decrease
- d. Increase

**(b)**

Fill in the blanks:

Supply will \_\_\_\_\_

- a. Not change
- b. Is indeterminate (can't be determined)
- c. Decrease
- d. Increase

**(c)**

Fill in the blanks:

Equilibrium price will \_\_\_\_\_

- a. Not change
- b. Is indeterminate (can't be determined)
- c. Decrease
- d. Increase

**(d)**

Fill in the blanks:

Equilibrium quantity will \_\_\_\_\_

- a. Not change
- b. Is indeterminate (can't be determined)

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | c. Decrease<br>d. Increase                                                                                                                      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                 |
| <b>Question 10: (4 points)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                 |
| <p>Assuming a normal market, with a positively sloped supply and negatively sloped demand, which is initially in equilibrium. Given the situation stated below, fill in the blanks matching the effect as either: increase, decrease, no change or indeterminate (cannot determine).</p> <p><b>Market for TENNIS RACKETS</b></p> <p>A new manufacturing process is introduced that is more efficient and lowers the cost of producing tennis rackets. At the same time, more individuals prefer tennis as a leisure activity. As a result,</p> |                                                                                                                                                 |
| <b>(a)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Fill in the blanks:<br>Demand will _____<br>a. Not change<br>b. Is indeterminate (can't be determined)<br>c. Decrease<br>d. Increase            |
| <b>(b)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Fill in the blanks:<br>Supply will _____<br>a. Not change<br>b. Is indeterminate (can't be determined)<br>c. Decrease<br>d. Increase            |
| <b>(c)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Fill in the blanks:<br>Equilibrium price will _____<br>a. Not change<br>b. Is indeterminate (can't be determined)<br>c. Decrease<br>d. Increase |
| <b>(d)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Fill in the blanks:<br>Equilibrium quantity will _____<br>a. Not change<br>b. Is indeterminate (can't be determined)                            |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                            |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | c. Decrease<br>d. Increase |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                            |
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| <p><b>Question 11: (8 points)</b></p> <p><b>Calculate the elasticity for the following questions (USING THE MIDPOINT (AVERAGE) FORMULA) and indicate if the goods are:</b></p> <ol style="list-style-type: none"> <li>Inferior,</li> <li>Normal,</li> <li>Complements, or</li> <li>Substitutes</li> </ol> <p><b>(Please Include The Negative signs in your answers where appropriate and calculate to 2 decimals)</b></p> <p><b>A.</b> The price of gasoline increases from 14 per barrel to 32 per barrel and as a result, the demand per month for new cars changes from 650 to 100.</p> <p><b>Part 1:</b> The elasticity is _____</p> <p>Part 2: These goods are (answer using numbers, 1-4) _____</p> <p><b>B.</b> As a result of a change in income from 1,725 to 3,025 per month, the consumption of good X changes from 420 to 525 units.</p> <p>Part 3: The elasticity is _____</p> <p>Part 4: Good X is a(an) (answer using numbers, 1-4) _____</p> <p><b>C.</b> As a result of a decrease in the price of good Y from 38 to 12 the demand for good X changes from 200 to 600 units.</p> <p>Part 5: The elasticity is _____</p> <p>Part 6: These goods are(answer using numbers, 1-4) _____</p> |                            |

D. As a result of an economic boom in Calgary, the average income increases from 2,800 to 6,600 per month and as a result the demand for new houses increases from 160 to 360 units.

Part 7: The elasticity is \_\_\_\_\_

Part 8: New houses are a(an) (answer using numbers, 1-4) \_\_\_\_\_

**Question 12: (1 point)**

**Fill in the blanks:**

From the menu, select the answer that corresponds to the following statement: Along a straight line demand curve, as price falls elasticity \_\_\_\_\_

- a. Decreases
- b. May increase OR decrease
- c. Stays the same
- d. Increases

**Question 13: (1 point)**

**Fill in the blanks:**

From the menu, select the answer that corresponds to the following statement: In terms of price elasticity of supply, the longer the time allowed for adjustment, the more \_\_\_\_ the supply curve

- a. Vertical
- b. Likely there will be NO change in elasticity of
- c. Inelastic
- d. Elastic

**Question 14: (6 points)**

Given the demand and supply for water dispensers:

$$Q_d = 750 - 20 P$$

$$Q_s = -120 + 18 P$$

1. The market equilibrium price is \_\_\_\_\_
2. The market equilibrium quantity is \_\_\_\_\_
3. What is the value of the demand curve's vertical intercept ? \_\_\_\_\_
4. What is the value of the supply curve's vertical intercept? \_\_\_\_\_
5. What is the Consumer's Surplus? \_\_\_\_\_
6. What is the Producer's Surplus? \_\_\_\_\_

**Question 15: (5 points)**

1. Suppose you are selling t-shirts at your own t-shirt stand. The supply and demand curves for t-shirts are given below.

$$P = 10 + 0.1 Q$$

$$P = 34 - 0.2 Q$$

- a. What is the equilibrium quantity for t-shirt
- b. \_\_\_\_\_  
What is the equilibrium price for t-shirts?
- c. \_\_\_\_\_  
If the process of making your t-shirts results in chemical waste that you dump in a nearby stream, creating \$ 7 worth of damage to the environment per shirt, what is the socially optimal number of t-shirts for you to sell?
- d. \_\_\_\_\_  
Given the chemical waste in part c., what is the socially optimal p
- e. \_\_\_\_\_  
What tax policy could the government use to assure that you sell the socially optimal number of t-shirts?
  - a. Tax t-shirts equal to 7 dollars
  - b. Subsidize t-shirts equal to 7 dollars
  - c. Tax t-shirts more than 7 dollars
  - d. Subsidize t-shirts more than 7 dollars

**Question 16: (6 points)**

In the table below, fill in the numeric answers in the "Willingness to Pay" (WTP) blanks where indicated. WTP<sub>x</sub>, WTP<sub>y</sub>, WTP<sub>z</sub> represent three different individual's "willingness to pay".

| Q | MC | WTP <sub>x</sub> | WTP <sub>y</sub> | WTP <sub>z</sub> | Collective WTP |
|---|----|------------------|------------------|------------------|----------------|
| 1 | 20 | 17               | 20               | 18               | _____          |
| 2 | 23 | 13               | _____            | 10               | 41             |
| 3 | 24 | _____            | 17               | 9                | 37             |
| 4 | 25 | 10               | 16               | 7                | _____          |
| 5 | 29 | 9                | 15               | _____            | 30             |

What is the optimal quantity of the public good that should be provided?

1, 2, 3, 4, OR 5?: \_\_\_\_\_

**Question 17: (15 points)**

Calculate marginal utility and marginal utility per dollar for the data provided in the table below: **(round to two decimal places)**

**The Price of wine is 3**

**The Price of Cheese is 0.14**

**The Consumer's budget for wine and Cheese is 9.69**

| GLASSES OF WINE | (WINE) | (WINE) | (WINE) | WEDGES | (CHEESE) | (CHEESE) | (CHEESE) |
|-----------------|--------|--------|--------|--------|----------|----------|----------|
|-----------------|--------|--------|--------|--------|----------|----------|----------|

|   | TOTAL<br>UTILITY | MARGIN<br>AL<br>UTILITY | MARGIN<br>AL<br>UTILITY/d<br>ollar | OF<br>CHEESE | TOTAL<br>UTILITY | MARGIN<br>AL<br>UTILITY | MARGIN<br>AL<br>UTILITY/d<br>ollar |
|---|------------------|-------------------------|------------------------------------|--------------|------------------|-------------------------|------------------------------------|
| 1 | 70               |                         |                                    | 1            | 10               |                         |                                    |
|   |                  | _____                   | _____                              |              |                  | _____                   | _____                              |
| 2 | 160              |                         |                                    | 2            | 32               |                         |                                    |
|   |                  | 65                      | _____                              |              |                  | 6                       | _____                              |
| 3 | 225              |                         |                                    | 3            | 38               |                         |                                    |
|   |                  | _____                   | _____                              |              |                  | _____                   | _____                              |
| 4 | 288              |                         |                                    | 4            | 42               |                         |                                    |
|   |                  | 61                      | _____                              |              |                  | 3                       | _____                              |
| 5 | 349              |                         |                                    | 5            | 45               |                         |                                    |
|   |                  |                         |                                    |              |                  |                         |                                    |

The Quantity of **Wine** this consumer would buy to maximize utility is : \_\_\_\_\_

The Quantity of **Cheese** this consumer would buy to maximize utility is : \_\_\_\_\_

What is the consumer's **Total Utility when optimized** : \_\_\_\_\_

### Question 18: (8 points)

Given the following table:

| OUTPUT | TOTAL COST |
|--------|------------|
| 0      | 35         |
| 1      | 44         |

|   |    |
|---|----|
| 2 | 52 |
| 3 | 59 |
| 4 | 65 |
| 5 | 72 |
| 6 | 80 |

Part 1: The TVC of producing 4 units of output is \_\_\_\_\_

Part 2: The AFC of producing 6 units of output is: \_\_\_\_\_

Part 3: The marginal cost of producing the fifth unit of output is: \_\_\_\_\_

Part 4: The ATC of producing 5 units of output is: \_\_\_\_\_

### Question 19: (10 points)

A firm in a perfectly competitive industry knows the following about its costs and revenue. The firm would like to maximize profit and has hired a consultant for advice.

|                     |                     |                       |            |                  |
|---------------------|---------------------|-----------------------|------------|------------------|
| Price               | Q of Output         | Total Revenue         | Total Cost | Total Fixed Cost |
| 13.5                | 850                 | TR?                   | 13,700     | TFC ?            |
| Total Variable Cost | Average Total Cost  | Average Variable Cost | MC         |                  |
| 4,600               | is at minimum level | AVC?                  | MC?        |                  |

Part 1. Total Revenue \_\_\_\_\_

Part 2. Total Fixed Cost \_\_\_\_\_

Part 3. Average Variable Cost \_\_\_\_\_

Part 4. Marginal Cost \_\_\_\_\_

Part 5. What is the value of the profit or loss (-) at the current output ( include the - sign if it's a loss)

Part 6. Consultant's Advice: As a consultant, what advice would you give to this firm: (Choose ONE answer from the following) **\*\*worth 5 marks**

1. Firm should do nothing; it is already profit maximizing/loss minimizing
2. Firm should reduce quantity of output
3. Firm should increase quantity of output
4. Firm should shutdown operations
5. The given number set is inconsistent

**Question 20: (10 points)**

In a perfectly competitive market:

the market price is 20

Marginal cost (MC) =  $2(Q) + 6$

average total cost at equilibrium is 40, and

average variable cost at equilibrium is 7

Part 1: The profit maximizing price is \_\_\_\_\_

Part 2: The profit maximizing quantity is \_\_\_\_\_

Part 3: Total revenue is \_\_\_\_\_

Part 4: Total cost is \_\_\_\_\_

Part 5: Average fixed cost is \_\_\_\_\_

Part 6: Total fixed cost is \_\_\_\_\_

Part 7: Total profit/loss is \_\_\_\_\_

Part 8: Marginal revenue is \_\_\_\_\_

Part 9: At this market price, would firms

1. Enter the industry

2. leave the industry

3. There is no incentive to enter or leave the industry.

(assume all firms have the same cost structure) \_\_\_\_\_

Part 10: At the market price, could this be a long run equilibrium price? (if yes=1, no=2) (assume all firms have the same cost structure) \_\_\_\_\_

**Question 21: (6 points)**

Assume the following regarding a firm in Perfect Competition:

Market Demand =  $Q_d = 510 - 5P$

Market Supply =  $Q_s = 8P$

Each identical firm has:

$MC = 5q$

$ATC = 16$

1. What price will the firm charge? \_\_\_\_\_
2. What is the firm's equilibrium quantity? \_\_\_\_\_
3. What is the firm's total cost? \_\_\_\_\_
4. What is the firm's total revenue? \_\_\_\_\_
5. What is the firm's profit or loss? (use a negative sign to indicate a loss) \_\_\_\_\_
6. Is the firm in a short-run or long-run situation? **Long-run or short-run:** \_\_\_\_\_

**Question 22: (4 points)**

Consider the following original demand-supply functions, where:

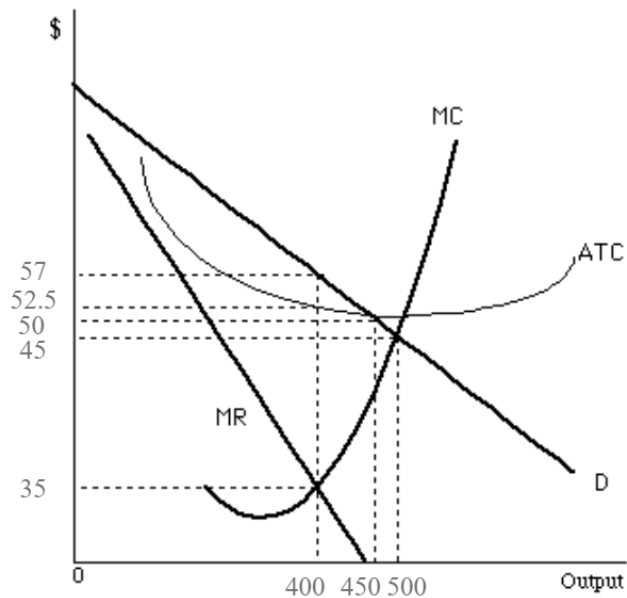
Demand:  $P = 95 - Q$

Supply:  $P = 20 + Q$

1. Original equilibrium price is ? \_\_\_\_\_
  2. Original equilibrium quantity is ? \_\_\_\_\_
- Further consider a tax of 5 per unit of output and a new supply function:**
3. The new consumer price after the imposition of tax is ? \_\_\_\_\_
  4. The new quantity after the imposition of tax is ? \_\_\_\_\_

**Question 23: (5 points)**

Refer to the Monopoly diagram below for the following questions.



1. At what output (Q) will this firm maximize profit?

\_\_\_\_\_

2. At what price (P) will this firm maximize profit?

\$ \_\_\_\_\_

3. What is the total revenue (TR) earned at this output level?

\$ \_\_\_\_\_

4. What is the total cost (TC) accrued at this output?

\$ \_\_\_\_\_

5. What profit (pf) is earned?

\$ \_\_\_\_\_

**Question 24: (7 points)**

Given the following information for a monopoly firm:

Demand:  $P = 70 - 3(Q)$

Marginal revenue:  $MR = 70 - 6(Q)$

Marginal cost:  $MC = 2(Q) + 6$

Average total cost at equilibrium is 20

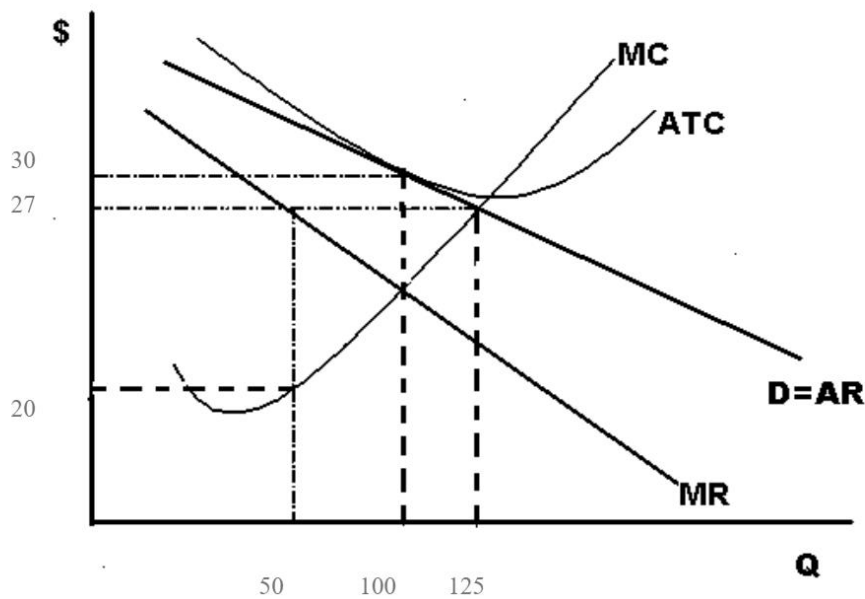
1. At what output (Q) will this firm maximize profit? \_\_\_\_\_
2. At what price (P) will this firm maximize profit \_\_\_\_\_
3. What is the total revenue (TR) earned at this output level \_\_\_\_\_
4. What is the total cost (TC) accrued at this output \_\_\_\_\_
5. What profit is earned \_\_\_\_\_

Assume this firm is to be regulated. Answer the following questions:

6. What is the social optimal quantity \_\_\_\_\_
7. What is the social optimal price \_\_\_\_\_

**Question 25: (8 points)**

Refer to the figure below for the following question. **(Assume this firm is a monopolistic competitor)**



1. At what output (Q) will this firm maximize profit \_\_\_\_\_
2. At what price (P) will this firm maximize profit \_\_\_\_\_
3. What is the total revenue (TR) earned at this output level \_\_\_\_\_
4. What is the total cost (TC) accrued at this output \_\_\_\_\_
5. What profit (pf) is earned \_\_\_\_\_
6. If this firm were perfectly competitive, what quantity would be produced \_\_\_\_\_
7. If this firm were perfectly competitive, what price would be charged \_\_\_\_\_
8. Is this monopolistically competitive firm in a long run situation \_\_\_\_\_

|  |     |     |
|--|-----|-----|
|  | (a) | Yes |
|  | (b) | No  |

### Question 26: (1 point)

#### Fill in the blanks:

Indicate the market structure (monopolistic competition, oligopoly, neither or both) as suggested by the characteristic in the following statement: The firms in the market may produce completely homogeneous products. \_\_\_\_\_

- a. Oligopoly
- b. Monopolistic competition
- c. Neither monopolistic competition nor oligopoly

- d. Both monopolistic competition and oligopoly

**Question 27: (1 point)**

**Fill in the blanks:**

Indicate the market structure (monopolistic competition, oligopoly, neither or both) as suggested by the characteristic in the following statement: The majority of products that we find in retail stores are produced in this market environment. \_\_\_\_\_

- a. Oligopoly
- b. Monopolistic competition
- c. Neither monopolistic competition nor oligopoly
- d. Both monopolistic competition and oligopoly

**Question 28: (1 point)**

**Fill in the blanks:**

Indicate the market structure (monopolistic competition, oligopoly, neither or both) as suggested by the characteristic in the following statement: The market has only one seller.

- \_\_\_\_\_
- a. Oligopoly
  - b. Monopolistic competition
  - c. Neither monopolistic competition nor oligopoly
  - d. Both monopolistic competition and oligopoly

**Question 29: (1 point)**

**Fill in the blanks:**

Indicate the market structure - monopolistic competition, oligopoly, neither or both, suggested by the characteristic in the following statement: The firm's profit is always driven to zero in the long run. \_\_\_\_\_

- a. Oligopoly
- b. Monopolistic competition

- c. Neither monopolistic competition nor oligopoly
- d. Both monopolistic competition and oligopoly

**Question 30: (1 point)**

**Fill in the blanks:**

Indicate the market structure (monopolistic competition, oligopoly, neither or both) as suggested by the characteristic in the following statement: Demand that faces each firm is perfectly elastic. \_\_\_\_\_

- a. Oligopoly
- b. Monopolistic competition
- c. Neither monopolistic competition nor oligopoly
- d. Both monopolistic competition and oligopoly

**Question 31: (1 point)**

**Fill in the blanks:**

Indicate the market structure (monopolistic competition, oligopoly, neither or both) as suggested by the characteristic in the following statement: The minimum efficient scale (MES) is large relative to the market size. \_\_\_\_\_

- a. Oligopoly
- b. Monopolistic competition
- c. Neither monopolistic competition nor oligopoly
- d. Both monopolistic competition and oligopoly

**Question 32: (18 points)**

**Consider the case of a Simultaneous-Move Game:** Consider the case of two households (Amber and Blatz), each can choose one of the two strategies --- cooperate or deviate.

|                                  |                                      |  |                 |
|----------------------------------|--------------------------------------|--|-----------------|
|                                  | <b>AMBER</b><br>Cooperate<br>Deviate |  |                 |
| <b>Cooperate</b><br><b>BLATZ</b> |                                      |  |                 |
| <b>Deviate</b>                   |                                      |  |                 |
|                                  | Box 1<br>32, 24                      |  | Box 2<br>7, 61  |
|                                  | Box 3<br>37, 29                      |  | Box 4<br>46, 59 |

Part 1: If Blatz chooses to cooperate, Amber's best strategy is to Deviate OR Cooperate: \_\_\_\_\_  
because \_\_\_\_\_ is greater than \_\_\_\_\_

Part 2: If Blatz chooses to deviate, Amber's best strategy is to Deviate OR Cooperate: \_\_\_\_\_  
because \_\_\_\_\_ is greater than \_\_\_\_\_

Part 3: If Amber chooses to cooperate, Blatz's best strategy is to Deviate OR Cooperate: \_\_\_\_\_  
because \_\_\_\_\_ is greater than \_\_\_\_\_

Part 4: If Amber chooses to deviate, Blatz's best strategy is to Deviate OR Cooperate: \_\_\_\_\_  
because \_\_\_\_\_ is greater than \_\_\_\_\_

Part 5: Is there a dominant strategy for Amber? \_\_\_\_\_

- a. Yes, Cooperate
- b. No
- c. Yes, Deviate

Part 6: Is there a dominant strategy for Blatz? \_\_\_\_\_

- a. Yes, Cooperate
- b. No
- c. Yes, Deviate

Part 7: Is Box 1 a Nash Equilibrium? \_\_\_\_\_

- A. YES

B. NO

Part 8: Is Box 2 a Nash Equilibrium? \_\_\_\_\_

A. YES

B. NO

Part 9: Is Box 3 a Nash Equilibrium? \_\_\_\_\_

A. YES

B. NO

Part 10: Is Box 4 a Nash Equilibrium? \_\_\_\_\_

A. YES

B. NO

Question 33: (6 points)

Consider the case of a Simultaneous-Move Game

|            |            | PEPSI COLA       |                  |
|------------|------------|------------------|------------------|
| Aggressive |            | Restrained       |                  |
| COCA-COLA  | Aggressive | Box 1<br>18 , 24 | Box 2<br>77 , 45 |
|            | Restrained | Box 3<br>57 , 85 | Box 4<br>52 , 55 |

Part 1: Is there a dominant Strategy for Coca-cola? (Answer using numbers, ie. 1, 2 or 3) \_\_\_\_\_

1. No
2. Yes, Aggressive
3. Yes, Restrained

Part. 2 : Is there a dominant Strategy for Pepsi-Cola? (Answer using numbers, ie. answer 1, 2 or 3) \_\_\_\_\_

1. No
2. Yes, Aggressive
3. Yes, Restrained

Part 3. Is Box 1 a Nash Equilibrium? (Answer 1 for No, 2 for Yes) \_\_\_\_\_

Part 4. Is Box 2 a Nash Equilibrium? (Answer 1 for No, 2 for Yes) \_\_\_\_\_

Part 5. Is Box 3 a Nash Equilibrium? (Answer 1 for No, 2 for Yes) \_\_\_\_\_

Part 6. Is Box 4 a Nash Equilibrium? (Answer 1 for No, 2 for Yes) \_\_\_\_\_