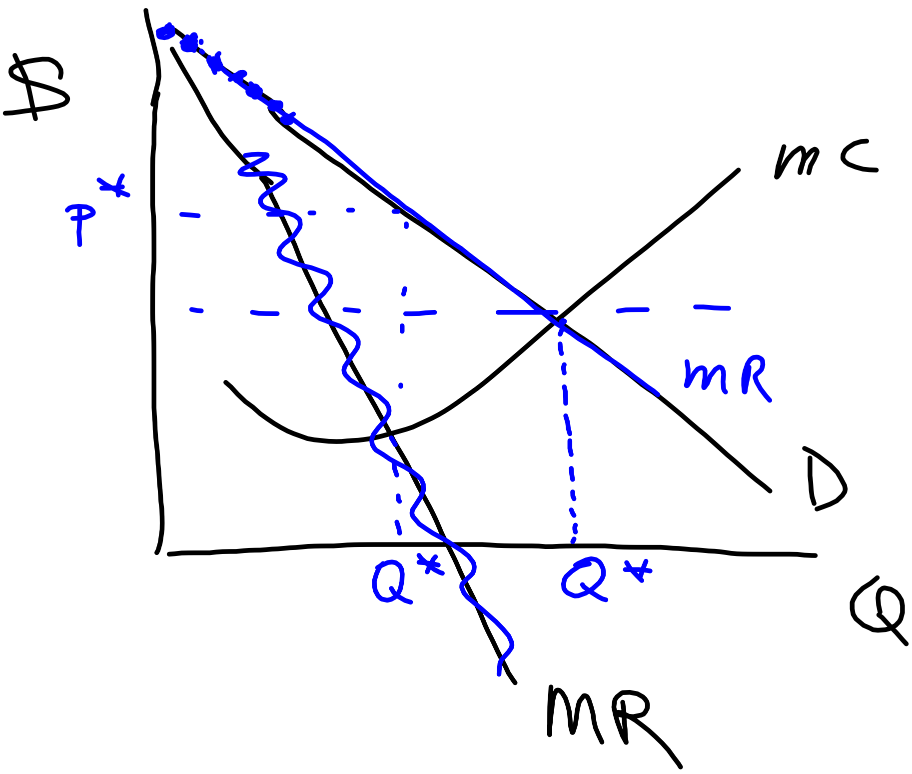
1.	ANS:	C	PTS:	1	DIF:	D	REF:	Module 63/27
	MSC:	Critical Thinking						
2.	ANS:	A	PTS:	1	DIF:	M	REF:	Module 63/27
	MSC:	Concept-Based						
3.	ANS:	C	PTS:	1	DIF:	M	REF:	Module 62/48
	MSC:	Definitional						
4.	ANS:	C	PTS:	1	DIF:	M	REF:	Module 62/48
	MSC:	Concept-Based						
5.	ANS:	B	PTS:	1	DIF:	M	REF:	Module 62/48
	MSC:	Critical Thinking						
6.	ANS:	E	PTS:	1	DIF:	E	REF:	Module 65/29
	MSC:	Definitional						
7.	ANS:	C	PTS:	1	DIF:	M	REF:	Module 65/29
	MSC:	Critical Thinking						
8.	ANS:	E	PTS:	1	DIF:	M	REF:	Module 65/29
	MSC:	Definitional						
9.	ANS:	B	PTS:	1	DIF:	M	REF:	Module 65/29
	MSC:	Critical Thinking						
10.	ANS:	D	PTS:	1	DIF:	M	REF:	Module 65/29
	MSC:	Critical Thinking						
11.	ANS:	C	PTS:	1	DIF:	D	REF:	Module 65/29
	MSC:	Critical Thinking						



Example: Game Theory

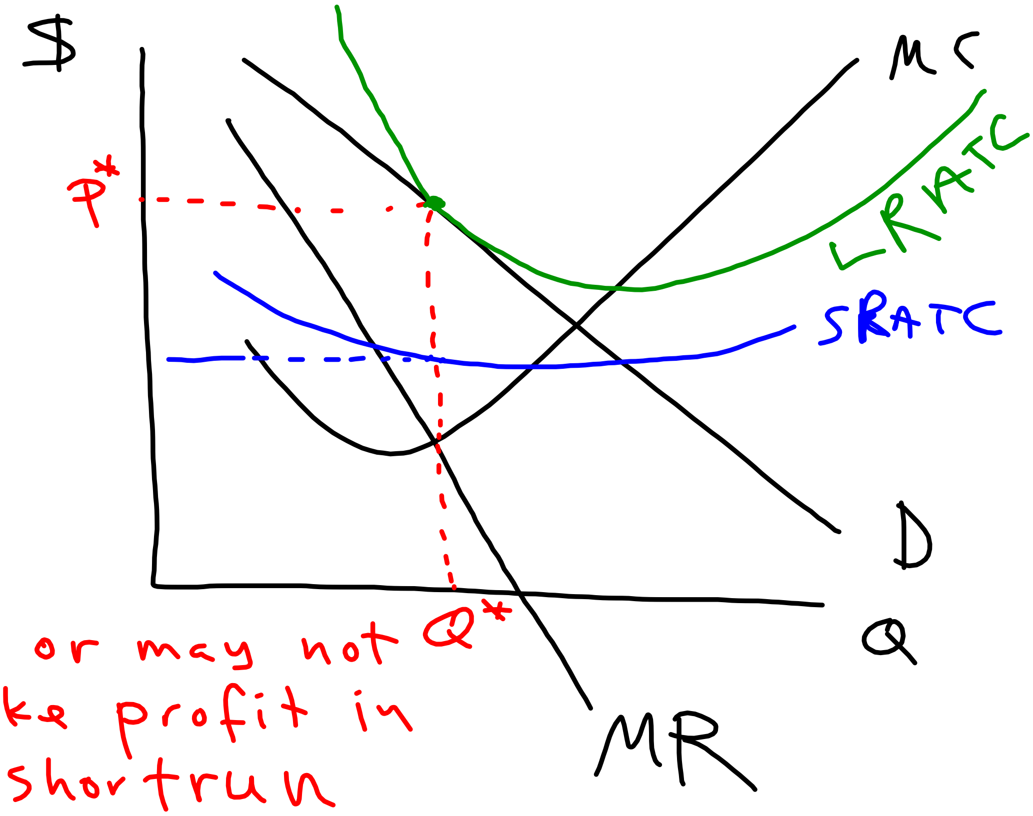
Jerry and Jeff are clowns competing for the attention of passersby on Elm Street. Each is in his apartment choosing a costume for the evening.

If both Jeff and Jerry wear silly shoes, each can expect to earn $100 in tips. If neither wears silly shoes, they can expect $50 each. However, if only one is wearing silly shoes, he will earn $75 but the other will earn $125, having gained the sympathy of passersby.

Draw a payoff matrix for this game. (You can shorten the strategies to “wear” and “not wear.”) Does Jeff have a Dominant Strategy in this game? Explain why or why not.

		Jeff	
		wear	not wear
Jerry	wear	100 / 100	125 / 75
	not wear	75 / 125	50 / 50

monopolistic competition
- many firms
- ease of entry/exit
- differentiated product - many close substitutes
- zero economic profit in long run — perfect competition *
- firms have price options — monopoly *
- advertising & brands



may or may not make profit in short run

Long run