Wilf Csaplar Jr.   Economics 280   Homework #9   Due Thurs. 4/24

The Last One!

Do not write your name on the assignment. Write your name only on the back of this sheet of paper and staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point on the assignment.

Somehow the syllabus says that we will cover both chapter 12 and 13 on 4/24. That is impossible. Given the class of 4/22, it should say chapter 10 will be covered on 4/24.

1) (20 points) Draw the best response functions for two Cournot-Nash firms. Draw their isoprofit curves. Explain how you can tell that both are profit maximizing. How can we tell that they could make larger profits if they cooperated?

2) (20 points) Draw the best response function for the Stackelberg follower. Draw the isoprofit curves for the leader to find the equilibrium outputs of the two firms. Explain how you determined the outputs.

3) (10 points) Why does the Stackleberg leader make more profits than if it was a Cournot-Nash firm?

4) (25 points) The book says that the Bertrand-Nash equilibrium will end in no economic profits. Why is that? Will that conclusion still hold if the goods are different? Explain your logic.

5) (25 points) Find the Nash equilibrium(a) for the table below. Explain how you found it(them). What is the cooperative equilibrium? Explain how you found it. If the cooperative equilibrium is not Nash, then explain why it is not. If it is, then explain why that should be expected.

		My Toys	
		High Price	Medium Price
Your Toys	High Price	350 300	400 180
	Low Price	150 325	175 200