

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (25 points) Find each of these if they exist: the Nash equilibrium(a), the dominant strategy(ies), cooperative output, and maximin strategy. Briefly explain how you found each one.

		Warner Brothers		
		High Price	Med. Price	Low Price
Disney	High Price	12	14	16
	Low Price	11	17	20
	High Price	8	15	13
	Low Price	10	19	6

2) (25 points) Suppose there is an election. The challenger goes first.

They have a choice of running an attack ad or running a nice ad. The incumbent then decides whether to run an attack ad or a nice ad. There is a fixed number of voters, so if one candidate gains a vote, then the other candidate loses a vote. If both run attack ads, then the incumbent gains two votes. If both run nice ads, the challenger gains a vote. If one runs an attack ad and the other runs a nice ad, the one running the attack ad will gain 100 votes. Do the extensive form of this game. Find the equilibrium. Explain how you found it.

3) (20 points) Some times going first can give you an advantage. What model which we have already discussed has that advantage? Explain your logic and how the first mover has an advantage. How can going second give you an advantage? Explain your logic.

4) (20 points) President Obama has threatened the so called “Islamic State” with putting soldiers on the ground in Syria. Is that a credible threat? Why or why not? What do you think will be the impact of the threat? Explain your logic.

5) (10 points) Explain the difference between an English auction and a Dutch auction.