

1. Choose which of the following statements is correct:

- A Dominant strategies lead always to a Pareto-inefficient situation.
- B There is a dominant strategy in each game.
- C The dominant strategy is a strategy, that is optimal for each player regardless of choices of other players.

2. Choose a statement that IS NOT correct.

- A A mixed strategy is a probability distribution over actions of a player.
- B A reaction function shows the optimal action of one player for all combinations of actions of other players.
- C The equilibrium concept in a sequential game is called the equilibrium in dominant strategies.
- D The Nash equilibrium is a situation in which a choice of all players is optimal given choices of all other players.

3. Let's have a Cournot oligopoly with a decreasing market demand and a homogeneous product. All firms have the same, constant marginal costs and zero fixed costs. If the number of firms goes up, the market price goes down and market quantity increases.

- A True
- B False

4. Two firms choose quantity. If the equilibrium point, depicted in a graph, is on the reaction function of firm 1, but not the reaction function of firm 2, then this is the outcome of

- A Bertrand model.
- B Cournot model.
- C Stackelberg model, in which firm 1 is the leader.
- D Stackelberg model, in which firm 2 is the leader.

5. Let's assume that the firms in the Cournot and Stackelberg duopoly have zero costs and face the same downward-sloping linear demand function. Then in Stackelberg model,

- A the price is lower than in Cournot model.
- B both firms produce the same quantity.
- C the total quantity is lower than in Cournot model.
- D the leader has a lower profit than the follower.