

1. In the one-shot prisoner's dilemma, there
 - A are two Nash equilibria.
 - B is one Nash equilibrium, that is Pareto efficient.
 - C is an equilibrium in dominant strategies.
 - D None of the above is correct.

2. Grim trigger means that I will punish one round after the other firm breaks the rules and then I will forgive it.
 - A True
 - B False

3. The cartel that uses the grim trigger strategy can be stable even if it is evident that the market will not exist in 5 years due to a planned regulation.
 - A True
 - B False

4. Which of the following changes should increase the stability of a cartel in an infinitely repeated game?
 - A The firms are less patient (the interest rate goes up).
 - B The profit due to default goes up.
 - C The profits in competition go down..
 - D The profit of the cartel goes down.

5. Moral hazard is a situation in which one side of the maret cannot observe the "type" or quality of the goods on the other side of the market.
 - A True
 - B False

6. Let's assume that an insurance company offers insurance agains bike theft. In market research it found out that the frequency of bike thefts in different localities differs. If the company wants to offer insurance based on the average rate of thefts it faces adverse selection.
 - A True
 - B False