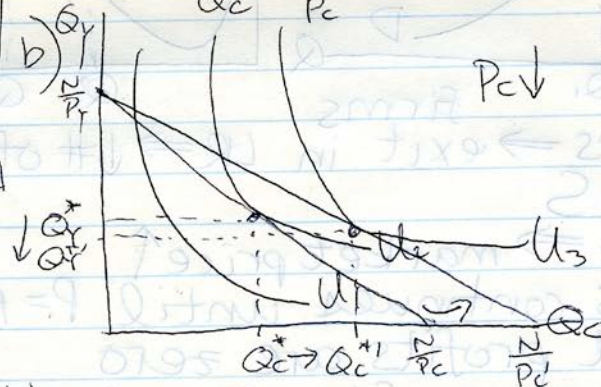
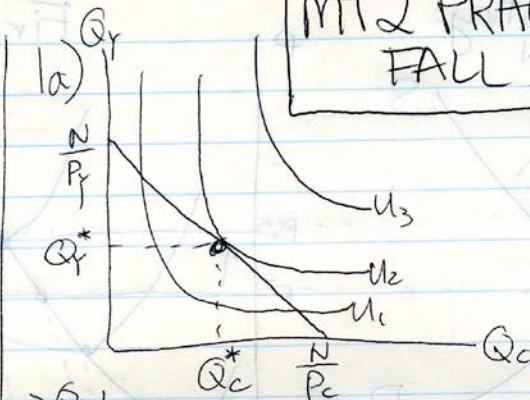


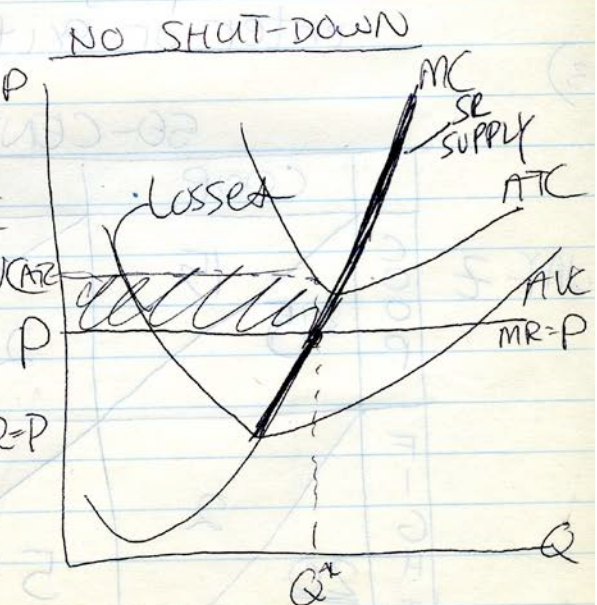
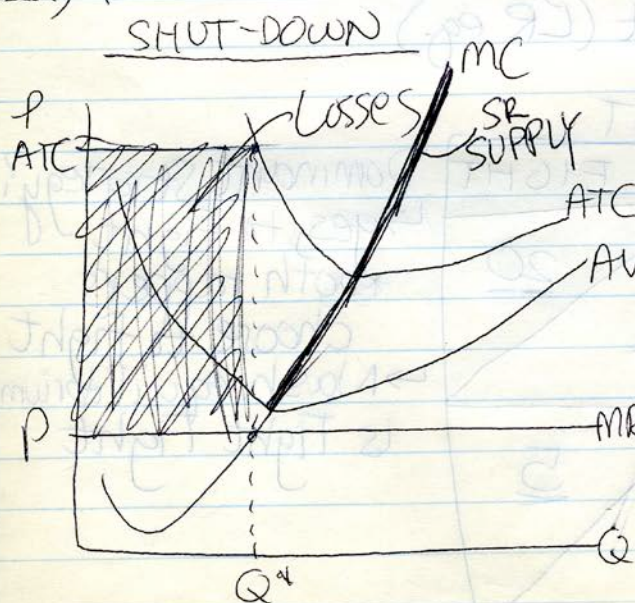
MT2 PRACTICE EXAM FALL 2012 AK

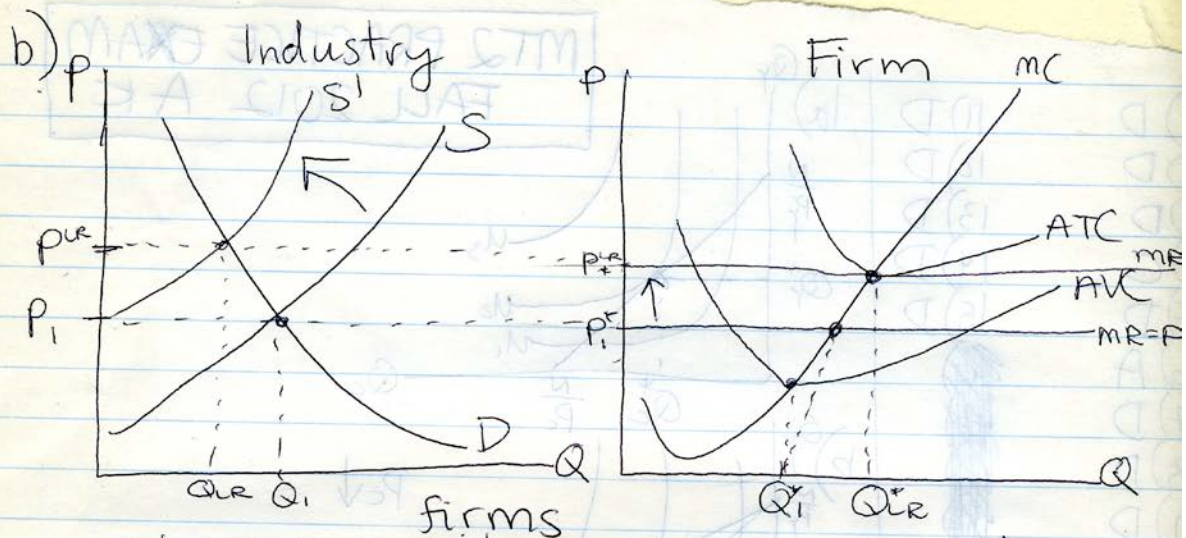
- 1) D
- 2) D
- 3) D
- 4) C
- 5) D
- 6) A
- 7) D
- 8) D
- 9) D
- 10) C

- 11) D
- 12) D
- 13) D
- 14) D
- 15) D



2a) Two Possible Answers





* Losses $\Rightarrow$ exit in LR $\Rightarrow$ $\downarrow$ # of producers $\Rightarrow$ $\downarrow$ S

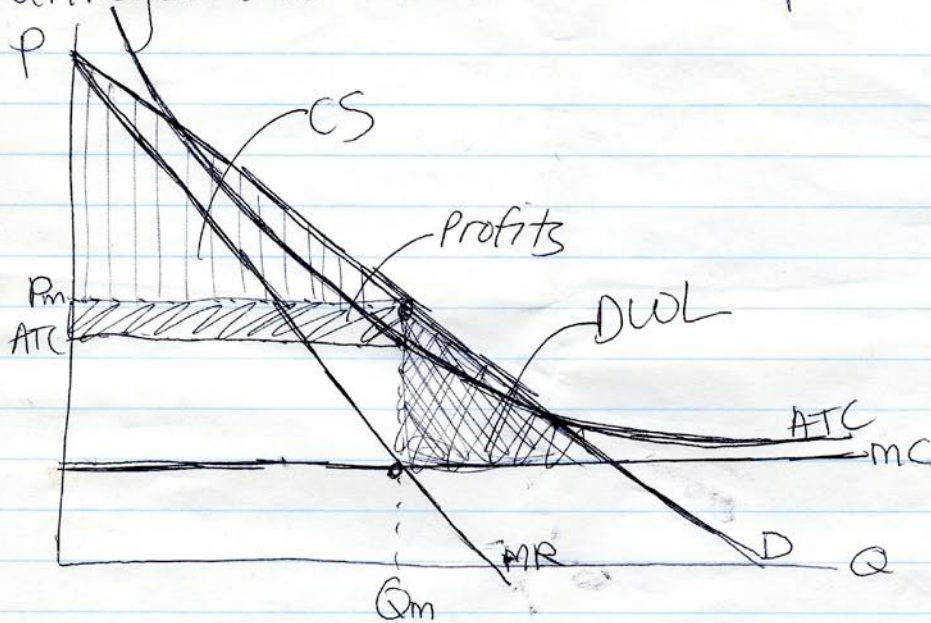
* as S $\downarrow \Rightarrow$ market price $\uparrow$
 $\hookrightarrow$ this continues until $P = ATC_{min}$
 and profits are zero
 - when profits = 0, no incentive to enter or exit (LR eq.)

3)

		50-CENT	
		COOP	FIGHT
JAY-Z	COOP	15 #15	2 <u>20</u>
	FIGHT	2 <u>20</u>	5 <u>5</u>

Dominant Strategy
 $\hookrightarrow$ yes, to fight
 * both rappers
 choose to fight
 $\hookrightarrow$ Nash equilibrium
 is Fight-Fight

4) unregulated natural monopolist



b) regulated

