

# Managerial Economics

## Review Sheet for Exam 3

Spring 2010

### Monopoly

Sources of monopoly power

Given demand and total cost, find monopoly P, Q, and profit

Explain and illustrate with a graph the different pricing incentives when an owner and manager have different goals (franchise example)

Allocation of output among plants

Given the demand curve and each plant's total costs, find the profit-maximizing quantities for each plant and the firm's price

### Monopolistic Competition

Graph and explain the individual firm's profits and the transition from the short run to the long run

Hotelling's Hot Dog Vendor Model

### Oligopoly

Characteristics

Define collusion, cartel, duopoly

Explain a cartel's profit-maximizing price and quantity and whether member firms will maintain collusion or will cheat

Given industry demand and with the assumption of zero marginal cost, solve for the perfectly competitive price and quantity, the monopoly price and quantity, and the duopoly price and quantity

Cournot duopoly

Given the demand curve and each firm's total costs, find the profit-maximizing quantities for each firm and the industry's price

Stackelberg Leader/Follower duopoly

Given the demand curve and each firm's total costs, find the profit-maximizing quantities for each firm and the industry's price

### Game Theory

Explain the difference between decisions and games

Define strategies, payoffs, Nash equilibrium, dominant strategy, dominated strategy

Solve a Prisoners' Dilemma game