**Selected Problems - Chapter 14**

**1.1** (a), (c), and (d) are probably oligopolies dominated by a few firms: (b) and (e) are not oligopolies because there is lots of product differentiation, many firms, and lots of entry and exit in those industries.

**3.1** Both A and B’s potential losses are minimized by cheating. To minimize the maximum loss, A should cheat because it yields higher profit regardless of what B does. The same is true for B. If A cheats, so will B, and if B cheats, so will A. Most likely outcome: Both will cheat.

**3.2** (a) Both have dominant strategies in Game 1—charge the low price. Neither has a dominant strategy in Game 2.

(b) You might try tit for tat (match the competitor’s move) to signal the opposite that if she prices high, you will also do so.

(c) If you are risk averse, you would probably swerve to guarantee a gain of 3. This minimizes your losses from the worst thing that can happen to you (a maximin strategy).