1. Define
   (a) Arbitrage
   (b) Reaction Function
   (c) Prisoner’s Dilemma
   (d) Monopolistic Competition

2. Show that when demand is inelastic, a monopolist's marginal revenue is negative. Will a monopolist ever produce on the inelastic portion of the demand curve?

3. Graph the deadweight-loss from monopoly and the transfer (as compared to perfect competition) of consumer surplus to producers.

4. Suppose that the market (inverse) demand curve is
   \[ p = a - bq, \]
   where \( a \) and \( b \) are constants. Suppose that marginal cost is constant and equal to \( c \).
   (a) What is a monopolist's price and quantity?
   (b) What is total market quantity and market price under Cournot Duopoly?
   (c) What is the total market quantity and market price under Bertrand Duopoly?

5. List three factors that make collusion easier.

6. Give 2 examples of price discrimination. In each case, explain why arbitrage does not eliminate the price discrimination. Give one other example that is not price discrimination even though different consumers are being charged different prices for physically identical goods.