1. Bernie and Manny both sell DVD players. Now suppose they must independently decide whether to charge high or low prices. To illustrate the problems encountered, consider the following profit payoff matrix faced by Bernie and Manny in a one- shot, simultaneous-move game. The first number in each cell is Bernie’s profit payoff (in thousands); the second number is the profit payoff to Manny (also in thousands).

|  |  |
| --- | --- |
| Bernie | Manny |
|  | High Price | Low Price |
| High Price | (10, 10) | (5, -5) |
| Low Price | (5, -5) | (0, 0) |

1. Briefly describe the Nash equilibrium concept.
2. Is there a dominant strategy for Bernie? Explain.
3. Is there a dominant strategy for Manny? If so, what is it? Explain.
4. Is there a Nash equilibrium in this game? If so, what is it? Explain.