**The *Tampa Tribune* and the *St. Petersburg Times* compete for readers in the Tampa Bay market for newspapers. Recently, both newspapers considered changing the prices they charge for their Sunday editions. Suppose they considered the following payoff table for making a simultaneous decision to charge either a low price of $0.50 or a high price of $1.00.**

**For questions 1 – 10, provide the correct answer to fill in the blanks. Use the suggested words in parentheses after each blank.**

|  |  |
| --- | --- |
|  | *St. Petersburg Times* |
|  |  | *Low Price$0.50* | *High Price$1.00* |
| **Tampa Tribune** | **Low Price$0.50** | A.**$45,000**,*$30,000* | B.**$35,000**,*$20,000* |
| **High Price$1.00** | C.**$40,000**,*$45,000* | D.**$50,000**,*$40,000* |
|  |  | Payoffs in dollars of profit per Sunday edition |

1. St. Petersburg Times' dominant strategy is \_\_\_\_\_\_\_\_\_\_\_\_ (low price, high price, it has no dominant strategy).
2. *Tampa Tribune's* dominant strategy is \_\_\_\_\_\_\_\_\_\_\_\_ (low price, high price, it has no dominant strategy).
3. St. Petersburg Times' dominated strategy is \_\_\_\_\_\_\_\_\_\_\_\_ (low price, high price, it has no dominated strategy).
4. *Tampa Tribune's* dominated strategy is \_\_\_\_\_\_\_\_\_\_\_\_ (low price, high price, it has no dominated strategy).
5. Cell \_\_\_\_\_ (A, B, C, D) is a Nash equilibrium
6. The Nash equilibrium cell in question 5 \_\_\_\_\_\_\_ (is, is not) a dominant strategy equilibrium.
7. Cell A \_\_\_\_\_\_\_\_ (is, is not) strategically stable.
8. Cell B \_\_\_\_\_\_\_\_ (is, is not) strategically stable.
9. Cell D \_\_\_\_\_\_\_\_ (is, is not) strategically stable.
10. This newspaper pricing decision \_\_\_\_\_\_\_\_ (is, is not) a Prisoners' Dilemma.