**Crash Course Economics – Episode #26**

**Game Theory**

**STUDENT QUESTIONS**

**TRUE OR FALSE**

1. There are basically four different types of market structures.

2. Perfect competition and monopoly are almost identical market structures.

3. In monopolistic competition, products are similar but not identical, such as burgers from two different fast-food chains.

4. Oligopolies consist of markets that feature high barriers to entry and are controlled by a few large companies.

5. Oligopolies tend to compete heavily on the basis of price.

6. Advertising is a prominent form of non-price competition.

7. In general, firms in both monopolies and those in perfect competition tend to advertise a great deal.

8. Game theory is in use when you make decisions by keeping in mind the possible / potential actions of other players in the game.

9. Game theory indicates that people and companies have a hard time following the best possible course if they can’t communicate or cooperate with one another.

10. A cartel is formed when firms talk to each other and agree to charge the same high price instead of competing with one another.

11. Although collusion is unethical, it is technically legal in the United States.

12. Price leadership is when one firm changes its pries and firms in competition with it have to decide if they’re also going to change their prices to follow.

13. OPEC is an international cartel made up of countries that manipulate the price of gold by controlling the supply available to the market.

14. Economists explain oligopoly behavior by using a chart called a payoff matrix.

15. One challenge for firms trying to collude is that they usually have an incentive to cheat on whatever agreement they have reached with one another.

16. A “dominant strategy” is one that guarantees success in the form of market domination.

17. Healthy competition encourages firms to innovate, bringing new products to market.