

Midterm #2 — Economics of Strategy  
Due Thursday at 5 pm

Use jargon, draw / provide formal models as appropriate.  
Self-timed takehome: 100 minutes / equally weighted  $\approx$  10 minutes for each  
Handwritten is fine, it makes including graphical models easier.

**Short Answer**

1. AB InBev should rationally ignore craft brewers. They are no threat to their core business.
2. Movie theaters offer discounted senior tickets (and sometimes student ones) but have expensive concessions. Why?
3. Driving rivals from the market is shooting yourself in the foot. It's much better to engage in strategies to discourage potential rivals from ever entering the market.
4. Now that they have stopped growing, McDonalds should begin buying up their franchisees. Only then will they be able to fully exercise their market power.
5. You didn't become CEO to make shareholders rich – and why should you?

**Identifications**

1. Informative vs Persuasive
2. Double Marginalization
3. Fringe Firms
4. Bundling
5. Predation