1. The Taos Pueblo is an ancient American Indian community in New Mexico that admits tourists. The admission fee is $5 per car plus $5 per camera.
   
a. Give an explanation for this based on price discrimination.
   
b. Give an explanation for this that is NOT based on price discrimination.
   
c. Which of your explanations do you believe? What evidence would help you decide between your two theories?

2. Federal Express offers two kinds of overnight delivery. There is priority overnight, which is guaranteed to reach its destination by 10:30 the next day, and standard overnight, which is guaranteed to be delivered by 3 pm the next day. Priority costs 20% more than standard. Federal Express will often make 2 delivery trips to the same office in the same day just to avoid delivering the standard overnight packages before 10:30. How can you explain this behavior?

3. What is the Prisoner’s Dilemma? In what way does it apply to members of cartels?

4. In many industries, workers are required to belong to a union and pay union dues even if they would prefer not to. True or False: Workers would be better off if each one could choose whether to belong to the union. Explain your answer.

5. True or False? If all the firms in an industry price identically products identically, is that evidence that they have formed a cartel and are colluding with one another?

6. Why do firms merge horizontally with one another?

7. What is vertical integration? If Microsoft mergers (a down stream seller of software) with an upstream software development firm like Firefox, do both consumers and Microsoft benefit from the merger?