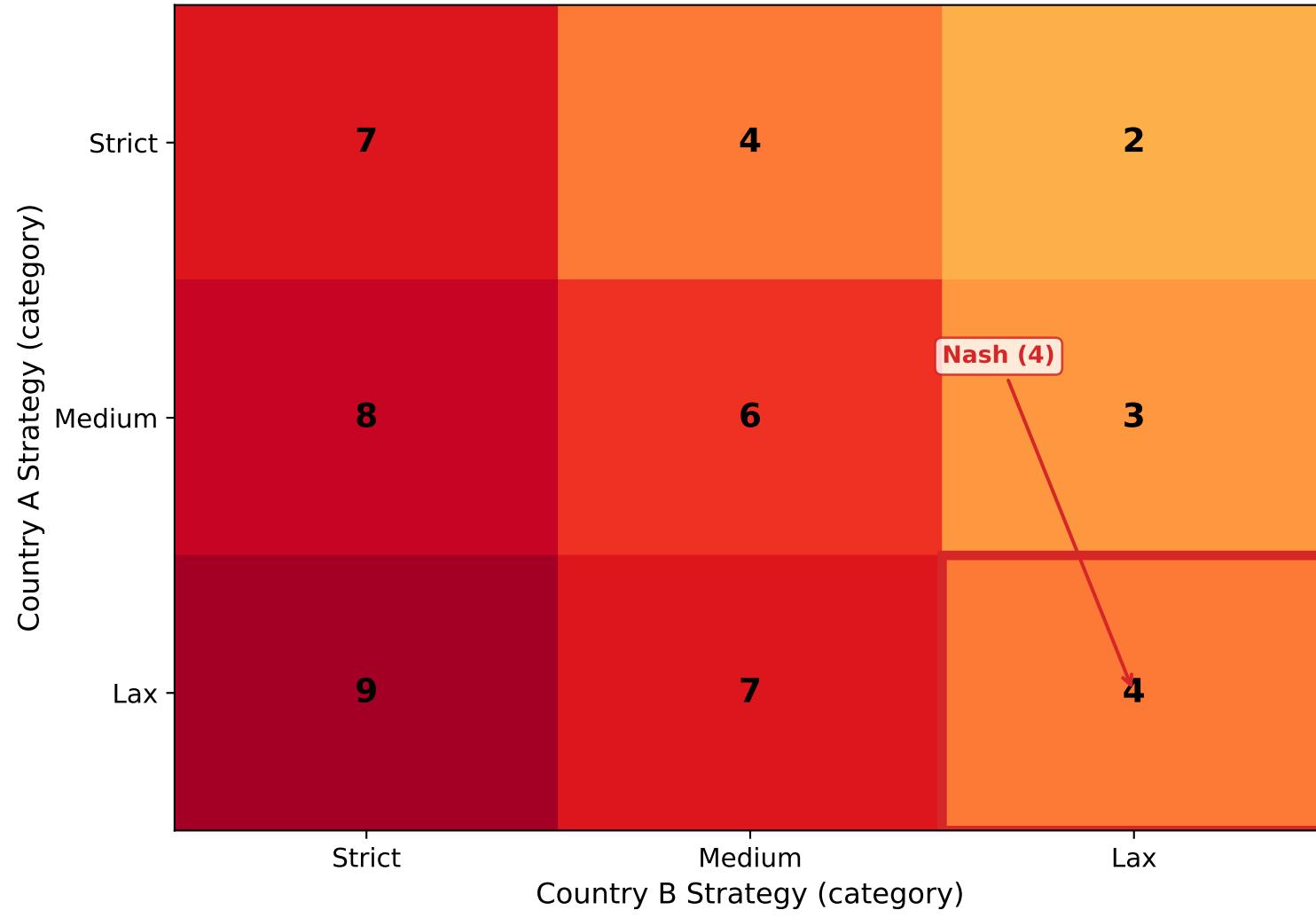
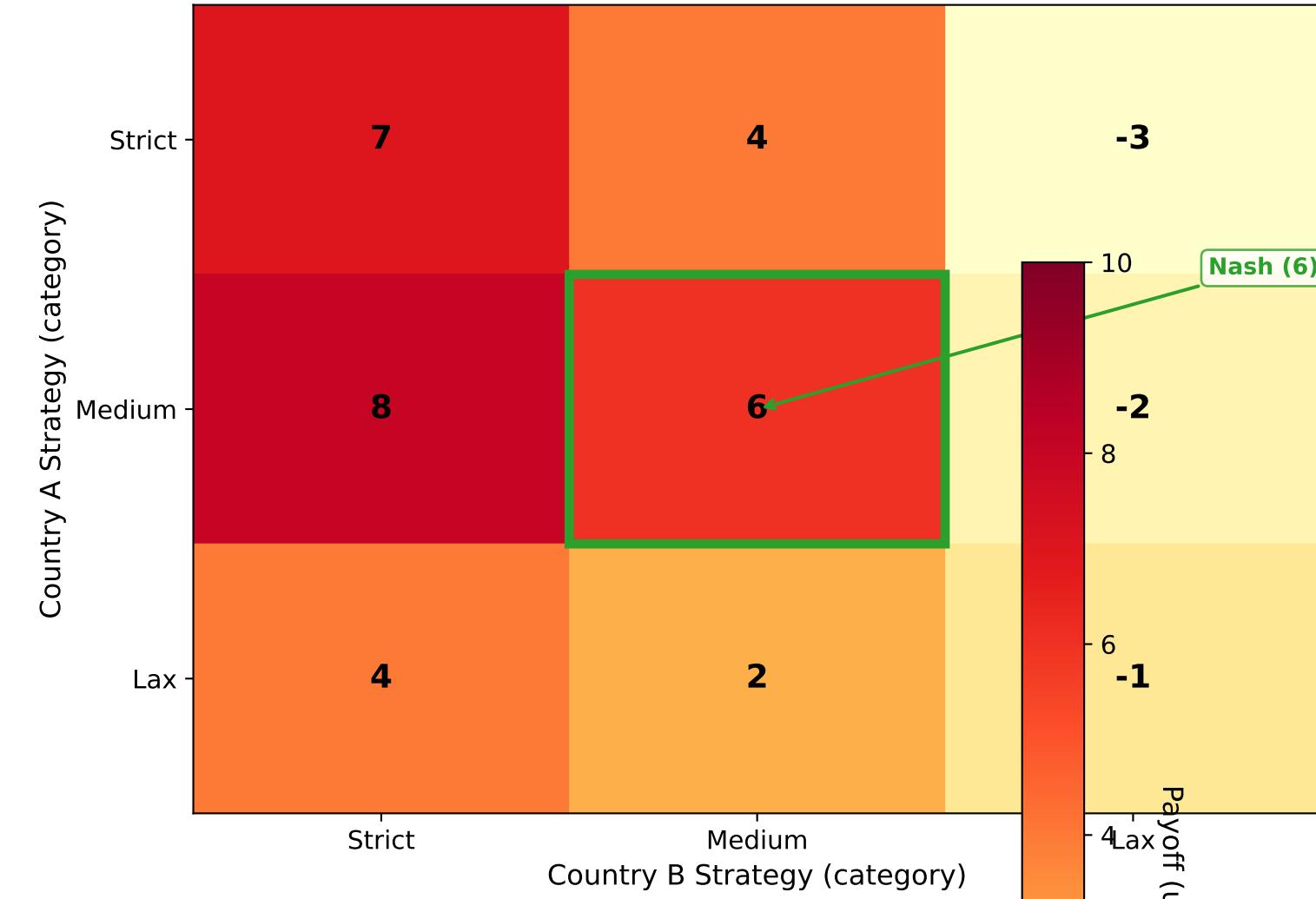


Regulatory Competition: How Penalties, Subsidies, and Repetition Change Equilibria

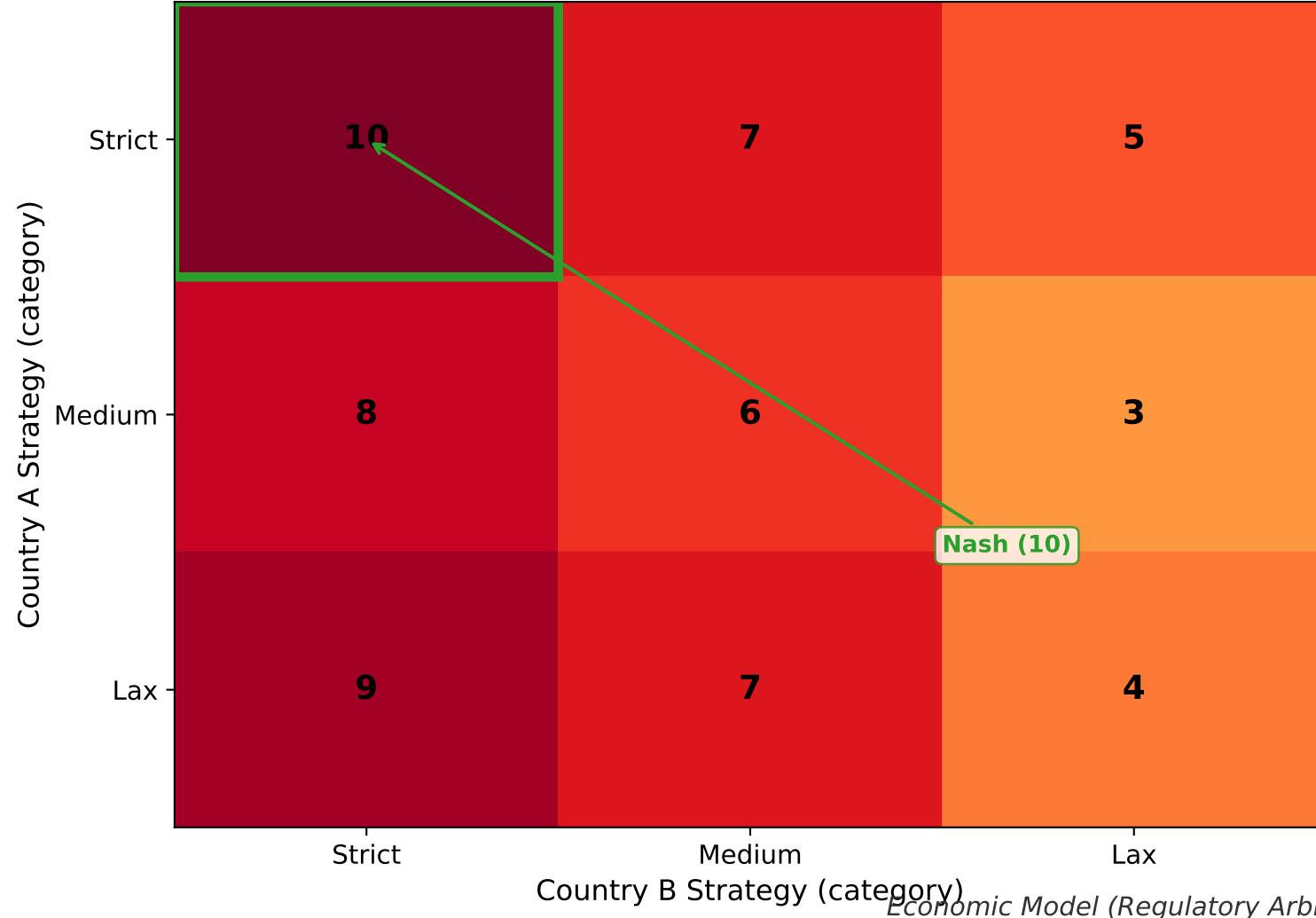
Baseline: Nash = (Lax, Lax) = 4



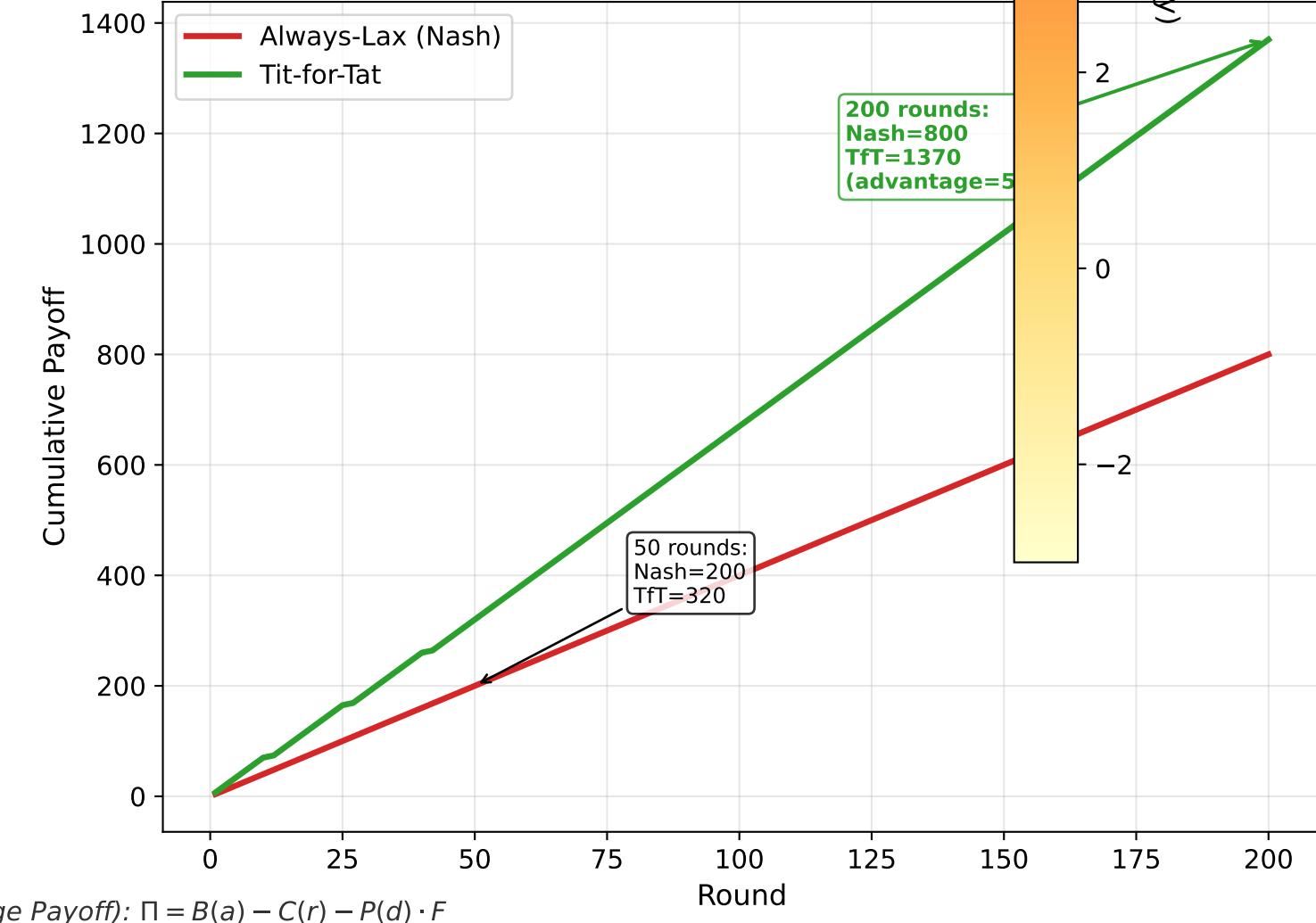
Variation 1: Lax Penalty (-5), Nash = (Medium, Medium) = 6



Variation 2: Strict Subsidy (+3), Nash = (Strict, Strict) = 10



Variation 3: Extended Game (200 Rounds) - Cooperation scales with Time



Economic Model (Regulatory Arbitrage Payoff): $\Pi = B(a) - C(r) - P(d) \cdot F$