16.5 Stackelberg 5 - SPE

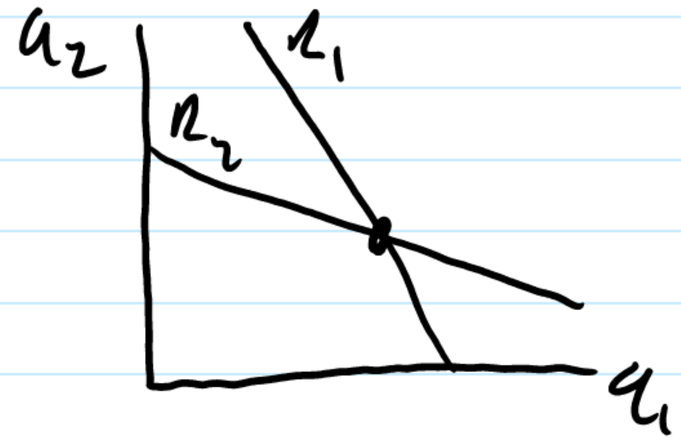
Saturday, October 31, 2020 1:14 PM

$q_2 = 1 - c_2/2 - q_1/2$

$u_1 = (1 - q_1 - c_1 - q_2)q_1 = 1 - c_1 - 1 - c_2/2 - q_1/2)q_1$

$du/dq = 1 - c_1 - 1 - c_2/2 - q_1/2 - q_1/2 = 0 \rightarrow = (2 - 2c_1 + c_2)/2$

q_1 Stack > q_1 Cour
$q_2 S$ < $q_2 C$
$Q S$ > $Q C$
$P S$ < $P C$
$V_1 S$ > $V_1 C$
$V_2 S$ < $V_2 C$



Strategic Subs

1st move advantage
2nd move disadvantage