Suppose that you manage a firm and are engaged in a dispute with one of your employees. The process of dispute resolution is modeled by the following game, where your employee chooses either to "settle" or to "be tough in negotiation," and you choose either to "hire an attorney" or to "give in."

	You	
Employee	Give in	Hire attorney
Settle	1, 2	0, 1
Be tough	3, 0	x, 1

In the cells of the matrix, your payoff is listed second; x is a number that both you and the employee know. Under what conditions can you rationalize selection of "give in"? Explain what you must believe for this to be the case.

If $x \geq 0$, be tough dom settle
If $x < 0$, no dominant strategies

↑ greater than

If $p(settle) > .5$ and $x < 0$, then it makes sense to choose give in