

Probability of failure (risk), f

$$f^N = \frac{3}{4}$$

A's best-response function, $f = \frac{1}{2} + \frac{\delta}{2q}$

Slope $= \frac{1}{2q}$

n

P's isoprofit curve

$$\pi = \pi^N$$

$$\delta^N = \frac{q}{2}$$

Interest factor, δ

