

Subject:

Year:

Month:

Date:

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decision

1) with Backward induction at incumbent \checkmark node, incumbent chooses Accommodate and based on incumbent choice

Entrant choose In so with backward induction solution is

(In, Accommodate)

2) Yes, this a Nash eq because both players are playing best response to other's equilibrium strategy.

3) Yes, we have another Nash equilibrium that backward induction doesn't determine.

other Nash eq : (out, Fight)

So we have 2 Nash equilibrium : (In, Accommodate), (out, Fight)