

Experiment 2: An entry game

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Experiment

- Each group is a supplier company
 - In each market, there is one incumbent and one potential entrant
 - Potential entrant decides first whether to enter
 - If not, entrant gets 0 and incumbent enjoys monopoly profits ($£2m$)
 - If potential entrant enters, incumbent either....
 - competes aggressively, loses $1m$ and entrant loses $3m$
 - accommodates entry, obtains $1m$ profits and entrant obtains $2m$
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Questions

- Did you play according to the Nash Equilibria?
 - What are the Nash Equilibria?
 - Is this reasonable? Why or why not?
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