1. In a one-shot game, if you advertise and your rival advertises, you will each earn $5 million in profits. If neither of you advertise, your rival will make $4 million and you will make $2 million. If you advertise and your rival does not, you will make $10 million and your rival will make $3 million. If your rival advertises and you do not, you will make $1 million and your rival will make $3 million.
   1. Write the above game in normal form.

|  |  |  |
| --- | --- | --- |
| Strategy | Advertise | Don’t Advertise |
| Advertise | 5, 5 | 10, 3 |
| Don’t Advertise | 1, 3 | 2, 4 |

* 1. Do you have a dominant strategy?

Dominant strategy is not to advertise

* 1. Does your rival have a dominant strategy?

Dominant strategy is not to advertise

* 1. What is the Nash equilibrium for the one-shot game?

For A it’s don’t advertise; for B it’s advertise

* 1. How much would you be willing to bribe your rival not to advertise?

**Don’t know this answer!**