Assume two competitors, American International Group (AIG), Inc., and Axa, SA., are locked in a bitter pricing struggle in the reinsurance business. In the pricing payoff matrix, AIG can choose a given row of outcomes by offering a limit price ("up") or monopoly price ("down"). Axa can choose a given column of outcomes by choosing to offer a limit price ("left") or monopoly price ("right"). Neither firm can choose which cell of the payoff matrix to obtain; the payoff for each firm depends upon the pricing strategies of both firms.

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| --- | --- |
|  | Axa  |
|  AIG  | Pricing Strategy  | Limit Price  | Monopoly Price  |
| Limit Price  | $8 billion, $3 billion  | $12 billion, $2 billion  |
| Monopoly Price  | $6 billion, $5 billion  | $10 billion, $4 billion  |

A. Is there a Nash equilibrium in this problem? If so, what is it?
B. Describe the potential benefits to be derived from collusion. Do you see any obstacles to coordinating such collusion?