FIGURE B.2(a): 4-PERIOD RUBENSTEIN BARGAINING GAME BETWEEN ALAN (A) AND DAVID (D) OVER $5

NOTATIONS:

A = ALAN, D = DAVID

x_i = OFFER MADE TO PLAYER A IN PERIOD i; i = 1, 2, 3, 4

PERIOD 1:
A offers x_1 for himself. D responds

PERIOD 2:
D offers x_2 to A. A responds

PERIOD 3:
A offers x_3 to himself. D responds.

PERIOD 4:
D offers x_4 to A. A responds.
Figure B2(6). Subgame Perfect Equilibrium of the 4-Period Braining Game.
Figure B3(b): Extensive Form of the Game

Firm 1  Firm 2
25  9

Firm 2
Aggressive

Firm 1
Aggressive
33  10

Firm 2
Passive
30  13

Firm 2
Passive
36  12

Capacity Expansion
Figure B3(c): Subgame Perfect Equilibrium with a Credible Threat by Firm 2

<table>
<thead>
<tr>
<th>Firm 1</th>
<th>Firm 2</th>
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<tr>
<td>25</td>
<td>9</td>
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Firm 1

Agressive

Firm 2

Passive

Agressive

33     10

Firm 2

Passive

30     13

Agressive

36     12
**Figure B6(a): The Cournot-Nash Equilibrium**

The Cournot-Nash Equilibrium: \((y_1^*, y_2^*) = (40, 25)\)