

**15.040, Spring 2004**  
**Summary of Online Game 3**  
**Courtesy of Mike Shor, Vanderbilt University**

**Game 3: An extensive form game demonstrating subgame perfection**

This timed game consists of two decisions that you have to make:

1. You are considering entering an industry currently dominated by a monopolist (a randomly selected classmate). You are the only possible entrant into this market. You must decide whether to enter or stay out, given the possible responses to entry available to the monopolist. What action do you select, enter or stay out?
2. Now, you're the monopolist and an opponent is deciding to enter your industry or not. Suppose that the other firm chose to enter your industry. Do you accommodate the entry, or do you fight?