

Q8.1, Q8.3 Friberg: Managing risk and uncertainty

Q8.1

- a) There are two Nash equilibria in pure strategies; both building up nuclear capacity and both refraining.
- b) The preferred outcome will be for both to refrain, they would each have an outcome of 5 instead of 2.

8.3

		Column player		
		Rock	Scissors	Paper
Row player	Rock	0 0	-1 1	1 -1
	Scissors	1 -1	0 0	-1 1
	Paper	-1 1	1 -1	0 0

No Nash equilibria in pure strategies. No set of strategies in which not at least one of the players has incentives to unilaterally deviate.