

Entry Game with Cost Uncertainty

If firm 1 is type L, the payoff matrix is

		firm 2	
		E	N
firm 1	E^L	$0, -\frac{1}{4}$	$1, 0$
	N^L	$0, \frac{3}{4}$	$0, 0$

If firm 1 is type H, the payoff matrix is

		firm 2	
		E	N
firm 1	E^H	$-\frac{1}{2}, -\frac{1}{4}$	$\frac{1}{2}, 0$
	N^H	$0, \frac{3}{4}$	$0, 0$

Using method 2, the BNE are (N^L, N^H, E) , (E^L, N^H, E) , and (E^L, E^H, N) .