CONCEPT: REPEATED GAMES

● In real life, oligopolies will need to play the game more than once (i.e. weekly prices)

□ A **repeated game** is a one-time game that gets played over and over again

□ Strategies in a repeated game differ from one-time games:

- **Tit-for-tat strategy** – "I cooperate this period. If you don't cooperate, I won't cooperate next period."

> The player's current choice depends on the opponent's previous choice

- **Trigger strategy** – "I will cooperate until you don't cooperate. Then, I will never cooperate again."

		Jack's Decision	
		Produce 30 Gallons	Produce 40 Gallons
Jill's Decision	Produce 30 Gallons	Jack: $1,800 Jill: $1,800	Jack: $2,000 Jill: $1,500
	Produce 40 Gallons	Jack: $1,500 Jill: $2,000	Jack: $1,600 Jill: $1,600

PRACTICE: Jack employs a tit-for-tat strategy. If Jill cooperates this period, how many gallons will Jack produce?

a) 30 gallons
b) 40 gallons
c) 70 gallons
d) Not enough information

PRACTICE: Jack employs a tit-for-tat strategy. If Jill cheated last period, what will Jack's total profit equal this period?

a) $1,500
b) $1,600
c) $1,800
d) $2,000
e) Not enough information