

**HW 1**  
**Due 9-21-10**

Depict the following situation as both a normal form game and an extensive form game. Offer an analysis of the game.

Two rival firms are thinking of launching a similar product at the same time. If both firms launch the product, then they will each make a profit of \$40,000. If only one firm launches its product, then it can act as a monopolist and will make a profit of \$100,000. If either firm decides not to launch the product that firm makes a loss of \$50,000, due to costs already incurred in developing the product.