Active Learning 3 The fare wars game

The players: Delta Airlines and United Airlines The choice: cut fares by 50% or leave fares alone

- If both airlines cut fares, each airline's profit = \$400 million
- If neither airline cuts fares, each airline's profit = \$600 million
- If only one airline cuts its fares, its profit = \$800 million; the other airline's profits = \$200 million
- Draw the payoff matrix, find the Nash equilibrium

© 2018 Cengage Learning®. May not be scanned, copied or duplicated, or posted to a publicly accessible website, in whole or in part, except for use as permitted in a license distributed with a certain product or service or otherwise on a password-protected website or school-approved learning management system for classroom use.