

Abstract

We examine an infinitely repeated product choice game with a long run player and a series of short run players whose memories are limited. We consider bad type long run player who plays stage game Nash equilibrium action every period. We focus on Markov strategy in the sense of Mailath and Samuelson (2001), which players chooses same action when short run player's beliefs are same. We show that if short run players have perfect memory, for any pure strategy Markov equilibrium, players choose Pareto inefficient action profile with probability 1 every period at infinity. Next, we focused on robust Markov equilibrium and show that if short run players have perfect memory, unique robust Markov equilibrium is a repetition of stage Nash equilibrium action profile. Finally, we show that if short run player has limited memory, there exists a nontrivial robust Markov equilibrium whose strategies are pure and players chooses Pareto efficient action profile at infinity.