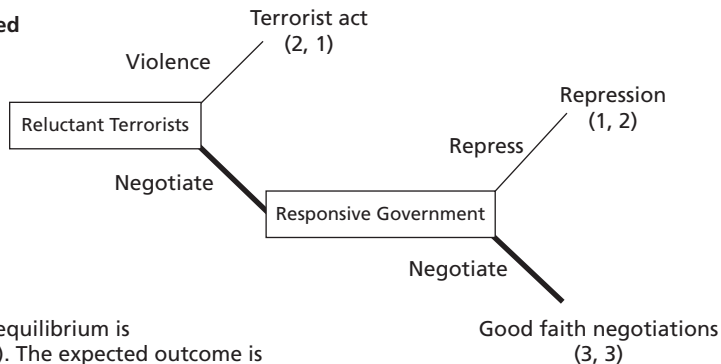


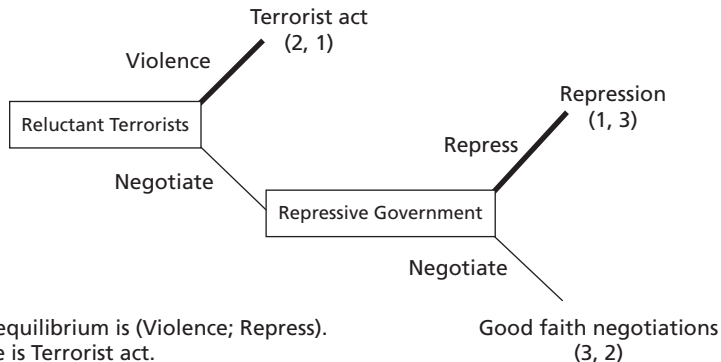
FIGURE 8.6**Complete Information Terrorism Game**

a. Government believed to be responsive



The subgame perfect equilibrium is (Negotiate; Negotiate). The expected outcome is Good faith negotiations.

b. Government believed to be repressive



The subgame perfect equilibrium is (Violence; Repress). The expected outcome is Terrorist act.