

TABLE 1a
SUBGAME PERFECT EQUILIBRIUM WITH A W-M REGULATOR WHEN $p_2 < p_1$.

Parameter values	Regulator's policy	Outcome With and Without Regulator	
		With	Without
1. $\gamma < (2 - p_1)/p_1$	Forbearance	(SS,O)	SS
2. $(2 - p_1)/p_1 < \gamma < \underline{\gamma}$	Forbearance	(RS,O)	RS
3. $\underline{\gamma} < \gamma < \bar{\gamma}$, 4. $\underline{\gamma} < \gamma < \bar{\gamma}$,	$-(p_2 r^r - 1) < \zeta^{SR}$ $\zeta^{SR} < -(p_2 r^r - 1)$	(RS,O)	RS
5. $\bar{\gamma} < \gamma$,	$-(p_2 r^r - 1) < \zeta^{RR}$	(RR,O)	RR
6. $\bar{\gamma} < \gamma$,	$\zeta^{RR} < -(p_2 r^r - 1) < \zeta^{SR}$, $\hat{\gamma} < p_2/(p_1 - p_2)$	(SR,O)	RR
7. $\bar{\gamma} < \gamma$,	$\zeta^{RR} < -(p_2 r^r - 1) < \zeta^{SR}$, $p_2/(p_1 - p_2) < \hat{\gamma}$	(R,C)	RR
8. $\bar{\gamma} < \gamma$,	$\zeta^{SR} < -(p_2 r^r - 1)$	(R,C)	RR

Note. $\gamma \equiv (r^r - 1)/(r^s - 1)$, $\underline{\gamma} \equiv (2 - p_2)/p_2$, $\bar{\gamma} \equiv 1/(2p_2 - 1)$, $\hat{\gamma} \equiv \gamma - [p_1 c_a / (r^s - 1)(p_1 - p_2)]$.