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# The Regularity of the Value Function of Repeated Games with Switching Costs \*

Yevgeny Tsodikovich<sup>†</sup>, Xavier Venel<sup>‡</sup>, Anna Zseleva<sup>§</sup>

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## Abstract

We study repeated zero-sum games where one of the players pays a certain cost each time he changes his action. We derive the properties of the value and optimal strategies as a function of the ratio between the switching costs and the stage payoffs. In particular, the strategies exhibit a robustness property and typically do not change with a small perturbation of this ratio. Our analysis extends partially to the case where the players are limited to simpler strategies that are history-independent, namely static strategies. In this case, we also characterize the (minimax) value and the strategies for obtaining it.

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Keywords: Switching Costs, Repeated Games, Stochastic Games, Zero-sum games.

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# 1 Introduction

We consider a repeated normal-form zero-sum game where at each time step, the minimizing player pays the maximizer both the “standard” outcome of the game and an additional fine if he switched his previous action. This model, namely the *traveling inspector model*, was presented in Filar and Schultz [1986] and is used to study different scenarios with switching costs (Xu et al. [2017], Yavuz and Jeffcoat [2007], Darlington et al. [2022] to mention a few).

A game with switching costs is equivalent to a stochastic game where the states correspond to the previous action taken by the minimizing player [Filar and Schultz, 1986]. Since only the minimizing player controls the states, this is a single-controller stochastic game and there exists an optimal strategy that is *stationary* (depends solely on the state) and can be computed using one of several standard tools, such as Raghavan and Syed [2002] and Raghavan [2003]. We characterize completely the value and the optimal stationary strategies, and show that they belong to a finite set that depends only on the underlying one-shot game, not on the switching costs. Our main finding is that the value function is piece-wise linear in the weight between the switching costs and the “standard” stage payoff,  $c$ . Consequently, the optimal strategy depends only on the segment in which  $c$  is situated, not its value, and the minimizer can play optimally without knowing the exact weight (as in Rass and Rainer [2014]).

In some applications there is an additional requirement to use only history- and time-independent strategies (denoted *static strategies*), i.e., to use the same mixed action in every stage [Rass et al., 2017, Schoenmakers et al., 2008]. We repeat our analysis with this constraint, and study the properties of the optimal payoff<sup>1</sup> in static strategies and the corresponding optimal strategies. In general, the optimal payoff is not piece-wise linear but the previous result for stationary strategies carry on in the special case of switching costs that are independent of the actions. In this case, our results theoretically explain why in empirical works, such as Liuzzi et al. [2021], the optimal static strategies only change slightly (if at all) in response to a small change in the ratio between the switching costs and the stage payoffs.

## 2 The Switching Costs Model

A *zero-sum game with switching costs* is a tuple  $\Gamma = (A, S, c)$  where  $A = (a_{ij})$  is an  $m \times n$  matrix,  $S = (s_{ij})$  is an  $n \times n$  matrix with non-negative entries, and  $c \geq 0$ . At time step  $t$ ,

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<sup>1</sup>Typically the game has no value in static strategies. Hereafter, when discussing the value in such strategies, we are referring to the minimax value, and when discussing optimal strategies, the minimax strategies.

Player 1 (the maximizer) chooses an integer  $i(t)$  in the set  $[m] = \{1, \dots, m\}$  and Player 2 (the minimizer) chooses  $j(t) \in [n]$ . The stage payoff that Player 2 pays Player 1 is  $a_{i(t)j(t)} + cs_{j(t-1)j(t)}$ , where  $cs_{j(t-1)j(t)}$  represents the cost of switching.<sup>2</sup> We assume that keeping the same action is costless ( $s_{jj} = 0$ ). The extension to mixed strategies is standard, but it should be noted that  $j(t-1)$  is known at time  $t$ , even if it was determined by a mixed action.

The process repeats indefinitely, and the payoff is the undiscounted average. More precisely, let  $(\sigma, \tau)$  be a pair of strategies in the repeated game and denote by  $i(t), j(t)$  the chosen actions at time  $t$  according to  $\sigma, \tau$  (given the history). We set  $j(0) = 1$  (an assumption that has no effect on the payoff) and define the payoff to be

$$\gamma(\sigma, \tau) = \liminf_{T \rightarrow \infty} \mathbb{E}_{\sigma, \tau} \left( \frac{1}{T} \sum_{t=1}^T a_{i(t)j(t)} + cs_{j(t-1)j(t)} \right). \quad (1)$$

This game is equivalent to a stochastic game where each state represents the previous action of Player 2. The sets of actions in all states are  $[m]$  and  $[n]$ , the payoff in state  $k$  when Player 1 plays  $i$  and Player 2 plays  $j$  is  $a_{ij} + cs_{kj}$ , and the next state is  $j$ . The class of games where only one player controls the state transitions was studied by Filar [1980], who showed that the value exists and obtained in strategies that depend solely on the current state, not on the history, namely *stationary strategies*. It follows that the value of  $\Gamma$  exists, and it is obtained in strategies that depend solely on the previous action of Player 2.

**Definition 1.** *A stationary strategy is a strategy that depends in each  $t$  on the previous action of Player 2,  $j(t-1)$ , but not on the rest of the history or  $t$  itself. Hence, a stationary strategy is a vector of  $n$  mixed actions, one to follow each possible pure action of Player 2.*

Definition 1 concerns both players but in any case the dependence is on the previous action of Player 2, as he is the one paying switching costs and controlling the states.

Following the literature [Schoenmakers et al., 2008, Rass and Rainer, 2014, Liuzzi et al., 2021], we also consider strategies independent of the time and of the history.

**Definition 2.** *A static strategy is a strategy that plays the same mixed action in each stage, regardless of the history. Hence, a static strategy is one mixed action played repeatedly.*

Suppose Player 1 uses a static strategy  $x$  and Player 2 uses the static strategy  $y$ . We obtain a closed form formula for the payoff in matrix notation:

$$g(c)(x, y) = x^T Ay + cy^T Sy. \quad (2)$$

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<sup>2</sup>We emphasize that the game remains a zero-sum game, as the switching costs are transferred to the adversary, Player 1. If part of the switching costs dissipate, the game is no longer a zero-sum game.

Typically, the value may not exist in static strategies. Instead, the figure of merit studied in the literature is the minimax defined as  $\tilde{v}(c) = \min_y \max_x g(c)(x, y)$ . For simplicity, we refer to it as the *value in static strategies*, but it should be understood only as the *minimax value*.

### 3 Results

#### 3.1 A Useful Lemma for Parametric One-Shot Games

We study the value of a parametric one-shot game, where the payoff is linear in each parameter in a way that is independent of the actions of Player 1. The Lemma stands alone, as it might be of general interest. Formally, let  $A$  be an  $m \times n$  zero-sum game, and  $b_1, \dots, b_n$  be non-negative constants. For each  $\underline{x} = (x_1, \dots, x_n)$ , the game  $\Gamma(\underline{x})$  is defined to be the one-shot zero-sum game whose payoff matrix is  $a_{ij} + b_j x_j$ , and its value is denoted by  $v(\underline{x})$ .

**Lemma 1.** *The value function  $v(\underline{x}) : \mathbb{R}^n \rightarrow \mathbb{R}$  is continuous, increasing in every parameter, concave and piece-wise linear in every direction.*

**Proof** Let  $I_1, I_2$  be some subsets of the rows and columns (resp.) of the one-shot game  $A$ . We check if Player 2 can make Player 1 indifferent among all the actions in  $I_1$ , using a completely mixed action over  $I_2$ , and does Player 1 prefer them over the actions not in  $I_1$ . Fix  $k \in I_1$ . We look for a vector  $y \in \mathbb{R}^n$  of Player 2, such that the support of  $y$  is exactly  $I_2$  ( $\sum y_j = 1$  with  $\forall j \in I_2 : y_j > 0$ , and  $\forall j \notin I_2 : y_j = 0$ ), Player 1 is indifferent among the actions in  $I_1$  and prefers actions in  $I_1$  over other actions:

$$\begin{cases} \sum_{j \in I_2} y_j a_{kj} = \sum_{j \in I_2} y_j a_{lj} & \forall l \in I_1 \setminus \{k\}, \\ \sum_{j \in I_2} y_j a_{kj} \geq \sum_{j \in I_2} y_j a_{lj} & \forall l \notin I_1. \end{cases} \quad (3)$$

If there exists solutions to this system of equations, we denote one of them by  $y(I_1, I_2)$ .

Suppose Player 2 uses  $y(I_1, I_2)$  in  $\Gamma(\underline{x})$  for some  $\underline{x}$ . Player 1 is indifferent among the actions in  $I_1$  and prefers them over other actions if Eq. (3) holds with  $(a_{.j} + b_j x_j)$  instead of  $a_{.j}$ . This is indeed the case, as the  $b_j x_j$  terms cancel out. Therefore, when Player 1 best responds he chooses an action in  $\Delta(I_1)$ , and the variable  $x_j$  appears in the payoff linearly with the slope  $y_j b_j$ . Denote by  $l(I_1, I_2)(\underline{x})$  the payoff function, which is linear in  $\underline{x}$ .

Fix  $\underline{x}$  and a pair of optimal strategies  $(p^*, q^*)$ . This profile has a corresponding support pair  $(I_1(\underline{x}), I_2(\underline{x}))$ . By definition,  $y(I_1(\underline{x}), I_2(\underline{x}))$  makes Player 1 indifferent between the actions he chooses with non-zero probability according to  $p^*$ , hence the pair  $(p^*, y(I_1(\underline{x}), I_2(\underline{x})))$  is optimal and so does  $y(I_1(\underline{x}), I_2(\underline{x}))$ . It follows that  $v(\underline{x}) = l(I_1(\underline{x}), I_2(\underline{x}))(\underline{x})$ . Moreover,

the value function  $v(\underline{x})$  is continuous in each  $x_i$  (this is a polynomial game, [Shapley and Snow, 1950]), hence the support pairs can only change when the payoffs they induce are equal. Since there is a finite number of supports, there is a partition of  $\mathbb{R}^n$  into finitely many disjoint convex and closed sets (one for each pair of supports) such that the restriction of  $v(\underline{x})$  to each of them is the restriction of some linear map to this set. We conclude that  $v(\underline{x})$  is piece-wise linear in any direction of  $\mathbb{R}^n$ , and since the slopes are convex combinations of the non-negative coefficients  $b_i$ ,  $v(\underline{x})$  is also increasing in each variable.

Finally,  $v(\underline{x})$  is concave. Let  $c_1, c_2, c_3 \in \mathbb{R}^n$  be three points on the same line such that  $v(\underline{x})$  is linear on the segments  $[c_1, c_2]$  and  $[c_2, c_3]$ . For  $c^* \in (c_1, c_2)$ , let  $y(c^*)$  be the optimal action of Player 2 chosen using the above method. If Player 2 plays  $y(c^*)$  regardless of  $c$ , the payoff is a linear function of  $c$  that coincides with the value on  $[c_1, c_2]$ . In the region  $[c_1, c_2]$ , the value function must be below this line, so the slope of  $c$  must decrease. To conclude, on this line,  $v(\underline{x})$  is a piece-wise linear function with decreasing slope, i.e. concave. ■

## 3.2 The Main Results

### 3.2.1 The Value Function in Stationary Strategies

**Theorem 1.** *For every  $c \geq 0$ , the game has a value in stationary strategies denoted by  $v(c)$ . This function is continuous, increasing, concave, piece-wise linear, and eventually constant. If  $v(c)$  is linear on  $[\underline{c}, \bar{c}]$ , then Player 2 has a strategy which is optimal for all  $c \in [\underline{c}, \bar{c}]$ .*

**Proof** This game is equivalent to a stochastic game where the current state corresponds to the pure action chosen by Player 2 in the previous time period, so the set of states is also  $[n]$ . In this stochastic game, only one player controls the transitions, so existence follows from Filar [1980]. Moreover, according to Filar and Raghavan [1984], the value of the game is the same as the value of a one-shot normal form game, whose pure actions are the pure stationary actions in the stochastic game (each pure action in the one-shot game is a vector of size  $n$  dictating which pure action to choose at each state). Given a pure strategy of Player 1 and a pure strategy of Player 2, the payoff is linear in  $c$  with coefficients depending on the strategies. Moreover, the coefficient of  $c$  is determined only by the strategy of Player 2 since only he bears switching costs. Hence, there exists  $a_{ij}$  and  $b_j$  such that the payoff can be denoted by  $a_{ij} + b_j c$ , with  $b_j \geq 0$  since it is a convex combination of the elements of  $S$ .

Lemma 1 can be applied to this one-shot game by setting for all  $i : x_i = c$ , so  $v(c) = v(c, \dots, c)$  and it is continuous, concave, increasing, and piece-wise linear. Since  $v(c)$  is bounded by the pure minimax of  $A$ , it cannot strictly increase for all  $c$  and is eventually constant.

Suppose  $v(c)$  is linear on  $[\underline{c}, \bar{c}]$  and fix  $c^* \in (\underline{c}, \bar{c})$ . Let  $\sigma_{c^*}$  be an optimal strategy for Player 2 in the corresponding stochastic game and suppose Player 2 plays  $\sigma_{c^*}$  regardless of  $c$  whereas Player 1 best responds (as a function of  $c$ ). When Player 2 plays  $\sigma_{c^*}$ , he fixes the transition probabilities between states, and these are now independent of  $c$ . Hence, the fraction of time spent in each state is constant and independent of  $c$ . In state  $k$ , the payoff matrix is of the form  $a_{ij} + s_{kj}c$ , so the part corresponding to  $c$  in each column is identical and linear with the same slope, regardless of the row. When mixing the columns in state  $k$  according to  $\sigma_{c^*}$ , the expected payoff of the rows are parallel lines. Player 1 best responds in each state, but since the lines are parallel, his choice does not depend on  $c$ . Thus, the payoff in each state is a linear function of  $c$ , and the total payoff, which is a weighted average of these functions with the percentage of time spent in each state as weights, is a linear function of  $c$ , denoted by  $f_{c^*}(c)$ . Since  $v(c)$  is the value,  $v(c) \leq f_{c^*}(c)$ , with equality at  $c^*$ . These two lines that intersect once must coincide and  $\sigma_{c^*}$  obtains the value in the entire segment. ■

Optimal strategies are therefore robust to small changes of  $c$ : knowing the exact  $c$  is not necessary to play optimally, and it is almost universally unnecessary to adjust the strategy as  $c$  changes. Moreover, if Player 2 wishes to minimize separately his stage payoff in the repeated game and his switching costs, an alternative approach is to consider a game where the payoff is their convex combination, as in our model [Rass and Rainer, 2014]. Theorem 1 shows that the exact weights of the two goal functions are of small significance for Player 2, whose optimal strategy comes from a finite set that depends solely on  $A$ . Interestingly, this is not true for Player 1, and his optimal strategy typically depends on the exact  $c$ .

The concavity of  $v(c)$  comes from a compromise between the stage payoff and the switching costs. The higher the  $c$ , the more costly it is to switch so it is better to play a strategy that rarely changes actions, in expense of some loss in the stage game  $A$ .

To conclude, the family of functions described in Theorem 1 is the widest possible. Any function that holds these properties corresponds to a zero-sum game with switching costs, hence our theorem provides a complete characterization of the value function of such games.

**Remark.** Let  $v(c) : [0, \infty) \rightarrow \mathbb{R}$  be a continuous, increasing, concave, piece-wise linear function and eventually constant. Then, there exists a one-shot game  $A$  and a switching costs matrix  $S$  such that  $v(c)$  is the value of the game  $(A, S, c)$ .

**Sketch of the proof.** The value function of the game  $A = \begin{pmatrix} 2b_1 & 0 & 2b_2 & 0 & \bar{v} \\ 0 & 2b_1 & 0 & 2b_2 & \bar{v} \end{pmatrix}$  with

$$S = \begin{pmatrix} 0 & 2\beta_1 & M & M & M \\ 2\beta_1 & 0 & M & M & M \\ M & M & 0 & 2\beta_2 & M \\ M & M & 2\beta_2 & 0 & M \\ M & M & M & M & 0 \end{pmatrix},$$

where  $M \gg \beta_i$  is

$$v(c) = \begin{cases} b_1 + \beta_1 c & \text{if } c \in [0, c_1], \\ b_2 + \beta_2 c & \text{if } c \in [c_1, c_2], \\ \bar{v} & \text{if } c \in [c_2, \infty). \end{cases}$$

The generalization to  $v(c)$  with more than 3 segments is straightforward. ■

### 3.2.2 The Value Function in Static Strategies

The minimax value in static strategies exhibits similar properties to  $v(c)$ , except piece-wise linearity. Piece-wise linearity can be obtained by adding the common assumption that the switching costs are independent of the switched actions, i.e.  $s_{ij} = 1$  for  $i \neq j$ . This case arises when the costs stem from the act of “switching” itself and do not depend on the actions being switched [Lipman and Wang, 2000, 2009, Schoenmakers et al., 2008].

**Theorem 2.** *The minimax value  $\tilde{v}(c)$  in static strategies is a continuous, increasing, and concave semi-algebraic function.*

*If, in addition, the switching costs are uniform ( $s_{ij} = 1$  for all  $i \neq j$ ), then  $\tilde{v}(c)$  is piece-wise linear and for each  $[\underline{c}, \bar{c}]$  where  $\tilde{v}(c)$  is linear, there exists a static strategy for Player 2 which is optimal for all  $c \in [\underline{c}, \bar{c}]$ .*

**Proof** Consider  $g(c)(x, y)$  from Eq. (2) and recall that by definition,

$$\tilde{v}(c) = \min_y \max_x g(c)(x, y) = \min_{y \in \Delta([n])} \left\{ \max_{x \in \Delta([m])} \{x^T A y\} + c y^T S y \right\}. \quad (4)$$

Note that  $\arg \max_x g(c)(x, y)$  depends solely on  $y$  and not on  $c$ . Since  $g(c)(x, y)$  is continuous, so is  $\tilde{v}(c)$ . Moreover,  $\tilde{v}(c)$  is semi-algebraic since  $g(c)(x, y)$  is a polynomial in each variable.

*The function  $\tilde{v}(c)$  is increasing:* Let  $0 \leq c_1 < c_2$ , and  $y_{c_2}$  be the arg min from Eq. (4).  $\tilde{v}(c_2) = \max_{x \in \Delta([m])} \{g(c_2)(x, y_{c_2})\} \geq \max_{x' \in \Delta([m])} \{g(c_1)(x', y_{c_2})\} \geq \tilde{v}(c_1)$ , where the first inequality follows from  $c_1 < c_2$  and  $S \geq 0$  (the maximizing  $x$  is the same as it depends solely on  $y_{c_2}$ ). The last inequality follows from the definition of  $\tilde{v}(c_1)$ .

*The function  $\tilde{v}(c)$  is concave:* Let  $\beta \in (0, 1)$ . Then

$$\begin{aligned} \tilde{v}(\beta c_1 + (1 - \beta)c_2) &= \min_y \left\{ \max_x \{x^T A y\} + (\beta c_1 + (1 - \beta)c_2) y^T S y \right\} \\ &\geq \min_y \left\{ \beta \max_x g(c_1)(x, y) \right\} + \min_y \left\{ (1 - \beta) \max_x g(c_2)(x, y) \right\} \\ &= \beta \tilde{v}(c_1) + (1 - \beta) \tilde{v}(c_2). \end{aligned}$$

The inequality is obtained since term-by-term minimization yields a smaller result than minimizing the entire sum. This completes the main part of the proof.



Suppose in addition that  $s_{ij} = 1$  for  $i \neq j$ . Under this assumption,  $y^t S y = 1 - \|y\|^2$ , and  $\tilde{v}(c) = c + \min_{y \in \Delta([n])} \left\{ \max_{x \in \Delta([m])} \{x^T A y\} - c \|y\|^2 \right\}$ . For each  $i \in [m]$ , let  $I_i$  be the subset of  $\Delta([n])$  such that  $i$  is a best response for Player 1 in the one-shot game  $A$  to all  $y \in I_i$ . It is well-known that  $I_i$  is a compact, convex polyhedron. Now, suppose Player 2 is restricted to playing only in  $I_i$ . The best response for Player 1 is  $i$  and the payoff is  $c + \min_{y \in I_i} \{A_i y - c \|y\|^2\}$ , where  $A_i$  is the  $i$ th row of  $A$ . This is a minimization of a concave function over a polyhedron, so the minimum is attained at one of its vertices. There are  $m$  polyhedrons and each one has finitely many vertices, so the set of candidate optimal strategies is finite. Following a similar argument as in Theorem 1,  $\tilde{v}(c)$  is piece-wise linear and on each segment where it is linear, there exists a static strategy that obtains the value for all  $c$ s in the segment. ■

The requirement for uniform switching costs is essential for the piece-wise linearity of  $\tilde{v}(c)$ . For example, it is easy to verify for the game  $A = \begin{pmatrix} -200 & 1 & 200 \\ 200 & 1 & -200 \end{pmatrix}$  with the switching costs matrix  $S = \begin{pmatrix} 0 & 1 & 100 \\ 1 & 0 & 1 \\ 100 & 1 & 0 \end{pmatrix}$ , the optimal static strategy for Player 2 strongly depends on  $c$ , and in the domain  $c \in [\frac{1}{98}, \frac{1}{2}]$ , the value is  $\tilde{v}(c) = 1 - \frac{(1-2c)^2}{192c}$ .

With the additional assumption that the switching costs are uniform, the optimal static strategy comes from a finite set and is robust to the exact value of  $c$ . This time it is also true for the best responses of Player 1, since he best-responds purely. This provides a theoretical explanation for the numerical results of Rass and Rainer [2014] and Liuzzi et al. [2021], which indicate that slightly changing  $c$  has a small effect, if any, on the optimal strategies.

The above result can be used to search more efficiently for the optimal strategy within the set, by eliminating from consideration strategies with too-high expected per-stage switching cost. The idea is that if a particular strategy  $y_{c^*}$  is optimal for some  $c^*$ , the concavity dictates that  $y$  is not optimal for  $c > c^*$  if  $y^T S y > y_{c^*}^T S y_{c^*}$ . A similar approach can be used for the optimal stationary strategy as a consequence of Theorem 1, although calculating the slope for a given *stationary* strategy is more complicated.

### 3.2.3 $2 \times 2$ Games

We finalize by showing that in  $2 \times 2$  games, the value and the minimax value in static strategies coincide. This generalizes Theorems 4.1, 4.2, and Corollary 4.1 in Schoenmakers et al. [2008] for the case that  $s_{12} \neq s_{21}$ . The main idea is that there are only two candidates for being the optimal stationary strategy: the optimal strategy of  $A$  and the pure minimax of  $A$ , both are also static strategies.

**Proposition 1.** *Let  $A = \begin{pmatrix} \alpha & \beta \\ \gamma & \delta \end{pmatrix}$  be a zero-sum game, and  $S = \begin{pmatrix} 0 & s_{12} \\ s_{21} & 0 \end{pmatrix}$  the switching costs of Player 2. The value of  $(A, S, c)$  can be obtained by a static strategy, i.e.,  $\tilde{v}(c) = v(c)$ .*

**Proof** If the value of  $A$  without switching costs can be obtained in pure actions, then  $v(c) = \tilde{v}(c) = v$  for all  $c$ . Otherwise, w.l.o.g.,  $\alpha > \beta, \gamma$  and  $\delta > \beta, \gamma$ . Let  $p \in (0, 1)$  be the unique probability of playing the left column (action  $L$ ) in  $A$  that achieves the value.

In each state, in a similar way to Eq. (5), Player 1 is indifferent between his two actions if and only if Player 2 plays  $p$ , otherwise Player 1 plays purely one of them, regardless of the switching costs. Thus, in each state either Player 2 plays purely too or he plays the mixed action  $p$ . There remains only 4 types of possible stationary strategies to consider: (i) Play  $p$  in both states; (ii) Play in a way that never reaches one of the states (e.g. play  $L$  after  $s_L$ ); (iii) Play purely but always visit all the states (Play  $L$  in state  $s_R$  and  $R$  in  $s_L$ ); and (iv) Play purely in only one state and  $p$  in the other (e.g.  $R$  in state  $s_L$ ).

Options (i) and (ii) correspond to static strategies whereas option (iii) is clearly sub-optimal. We show by contradiction that a strategy of type (iv) is not optimal. Let  $\kappa$  be the continuation payoff after playing  $R$  (the continuation payoff after playing  $L$  is normalized to 0). When we add the switching costs and the continuation payoffs to the games, we obtain two one-shot games:

$$s_L : \begin{pmatrix} \alpha & \beta + \kappa + cs_{12} \\ \gamma & \delta + \kappa + cs_{12} \end{pmatrix} \quad s_R : \begin{pmatrix} \alpha + cs_{21} & \beta + \kappa \\ \gamma + cs_{21} & \delta + \kappa \end{pmatrix}$$

To be optimal in the stochastic game, the profile must be optimal in each of these one-shot games. Consider state  $s_L$ . Since it is optimal to play purely  $R$ , we necessarily have  $\alpha \geq \beta + \kappa + cs_{12}$  or  $\gamma \geq \delta + \kappa + cs_{12}$ . If only the first equation is true, the equilibrium is mixed and  $R$  is not optimal. If only the second equation is true, then there is a contradiction:  $\alpha > \gamma \geq \delta + \kappa + cs > \beta + \kappa + cs > \alpha$ . It follows that both equations are true, i.e. the right column dominates the left, and in particular  $\gamma \geq \delta + cs_{12} + \kappa$ .

In state  $s_R$ , however, the optimal strategy is mixed and therefore such dominance is impossible. If the direction of the original inequalities (on  $\alpha, \beta, \gamma, \delta$ ) remains correct, then  $\delta + \kappa \geq \gamma + cs_{21}$  and  $s_{12} + s_{21} \leq 0$ , which is a contradiction. In the other case that both inequalities change direction, the contradiction is constructed using the first row. ■

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