

Problem Set 4

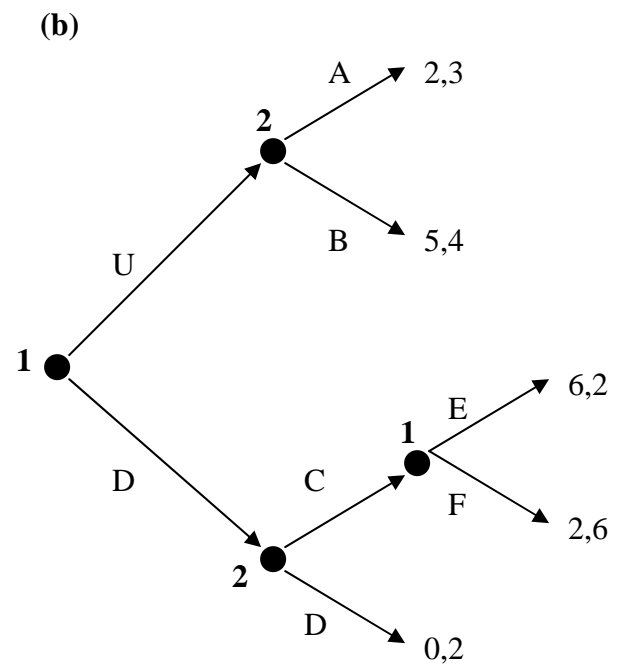
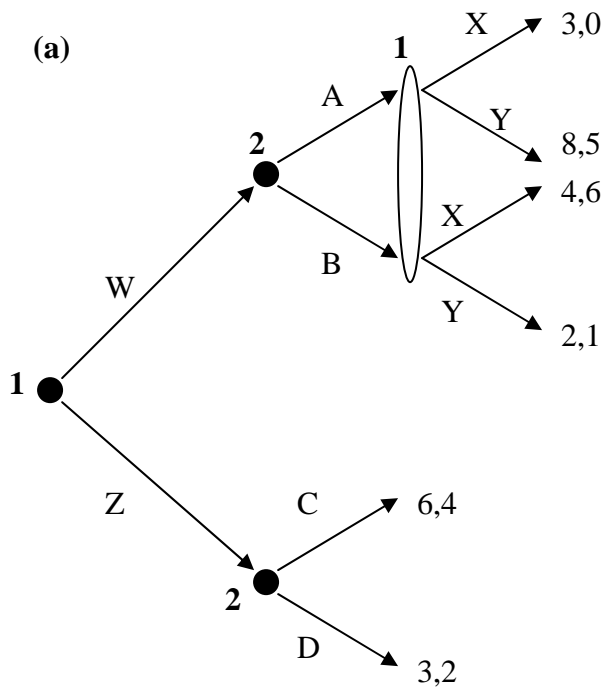
Due Wednesday, April 6

From Dutta

CH 13: Exercises 10, 14, 15, 16-20
CH 14: Exercises 11, 12, 13

Additional Exercises

1. Compute the Nash equilibria and subgame perfect equilibria for the following games. (Note that for games of complete and perfect information, subgame perfect equilibrium is identical to rollback equilibrium.) Do so by writing the normal-form matrices for each game and its subgames. Which Nash equilibria are not subgame perfect?



2. Consider a repeated game in which the stage game in the following figure is played in each of two periods and there is no discounting. Fully describe a subgame perfect equilibrium in which the players select (U,L) in the first period.

		PLAYER 2		
		L	M	R
PLAYER 1	U	8,8	0,9	0,0
	C	9,0	0,0	3,1
	D	0,0	1,3	3,3