

4109H: HOMEWORK 5 (due December 6 in class)

Please do not redraw the games from the book. In order to prepare you for the final exam I want you to do the following: for each game and each equilibrium you find, I want to see CRYSTAL CLEAR specification of the equilibrium like: “PBNE #1 is this, this and that...; PBNE #2 is ...”. Check the book for the definitions of which objects constitute different equilibria, if you are unsure (or talk to me). In your answer, for each problem specify the equilibria and give a SHORT explanation of why they are such. I strongly encourage you to carefully go through all the details of these games on your own. I have personal experience: if you do not clearly understand what’s going on in these games, you won’t be able to quickly solve them on the exam. I WILL TAKE LOTS OF POINTS OFF FOR INCOMPLETE SPECIFICATIONS OF EQUILIBRIA (for example if the problem has N points and M correct equilibria, you earn N/M points for each clearly specified correct one with reasonable explanation of why it is an equilibrium; $-N/M$ for each incorrect one; and say $N/2M$ or $N/3M$ for poorly specified correct one).

- 1) (15 points) Gibbons 4.1
- 2) (30 points) Gibbons 4.4
- 3) (40 points) Gibbons 4.5
- 3) (15 points) Gibbons 4.6