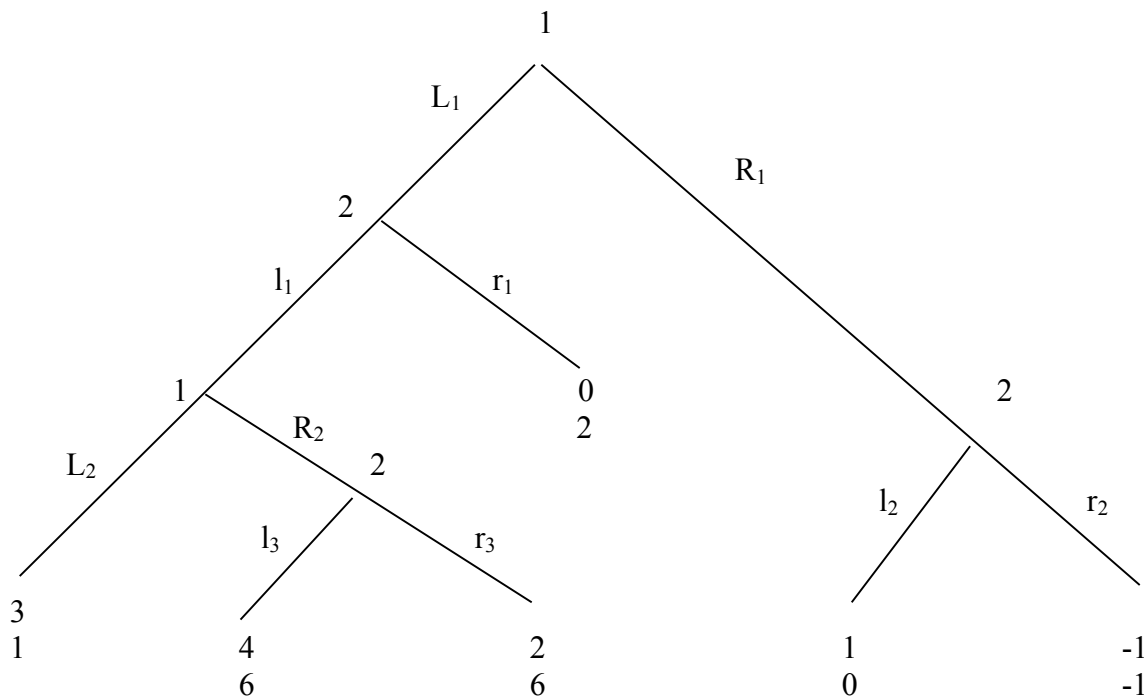


PROBLEM SET 3

Do problems 13.7, 15.1c, 15.2b, 16.3, 16.5, 22.2c, 22.7, and 23.6 from the yellow text (problems 13.7, 15.1b, 15.2b, 16.3, 16.5, 22.2c, 22.7, and 23.5 from the blue text). Problem 22.9 is extra credit (difficult!)

Additional problems

1. Consider this game



- (i) Discuss what backward induction implies are the set of plausible strategies.
- (ii) Discuss what backward induction implies are the set of plausible outcomes.

2.

	X	Y
A	1, 6	0, 0
B	6, 2	2, 2

Game B

- a) Find and report all pure-strategy Nash equilibria of this game.
- b) Consider the two-period repeated game (no discounting). Is there a subgame-perfect Nash equilibrium in which (A,X) is played in the first period? If so, fully describe it. If not, explain why.