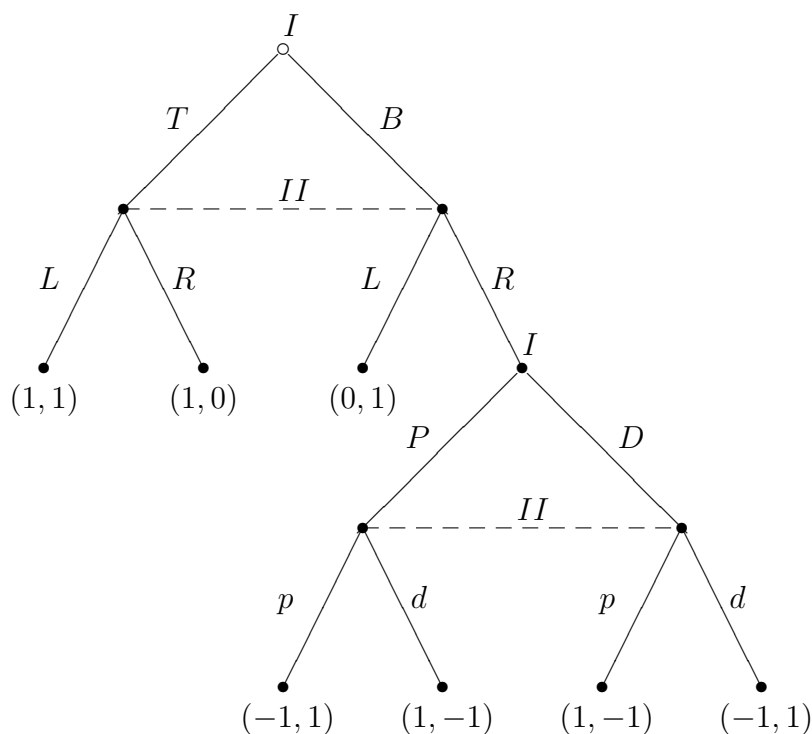


Game Theory, PhD in Economics and Management, 2005/06
 Exercises, sheet no. 2, Tuesday, November 15, 2005

Esercise 1



Give the strategic form of the game in extensive form described above. Find all Nash equilibria in pure strategies. Are there, among them, subgame perfect equilibria?

Can you find a subgame perfect equilibrium for the mixed extension of this game?

A virtual subgame perfect equilibrium is a Nash equilibrium whose restriction to subgames which are *relevant* for this equilibrium is still a Nash equilibrium for those subgames. A subgame is said to be “relevant” for a given Nash equilibrium if it is the whole game itself or if it is reachable if exactly one player deviates from the strategy profile in any subgame which has already been classified as relevant.