

ECON 107

Quiz 9

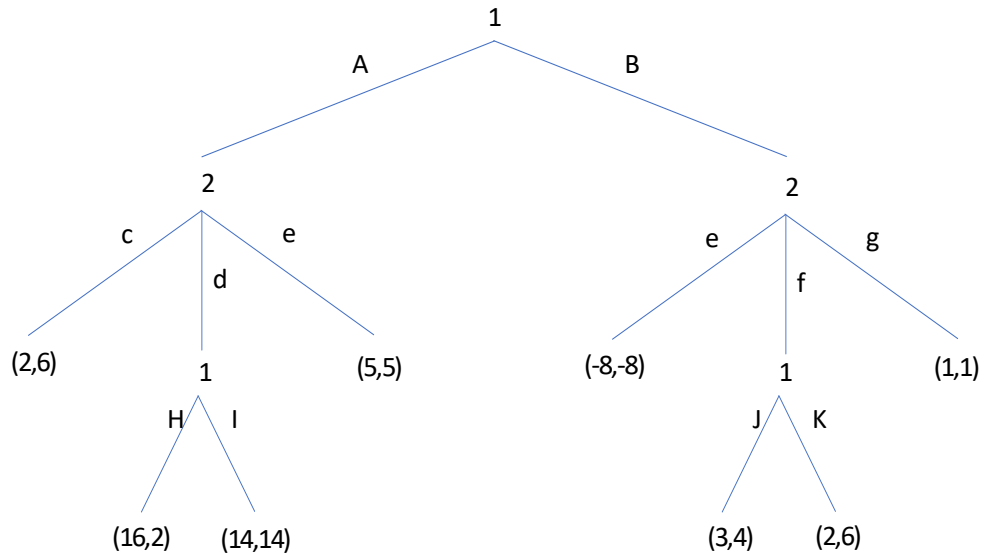
This quiz will last 10 minutes.

1. (3 points) **Honor Statement:** Please read and sign the following statement:

I promise that my answers to this test are based on my own work without reference to any notes, books, or the assistance of any other person. I will also neither help others nor use a calculator or other electronic aid for calculation.

Name and Surname: _____
 Student ID: _____
 Signature: _____

2. (10 points total) Consider the following sequential game, where player 1 makes the first decision, choosing between A and B . In each pair of utilities the first one is for player one, the second for player two.



- (a) (7 points) Using backward induction, find the best response at each decision point. You may mark them on the game, but if we don't understand your notation you will not get credit.

(b) (*3 points*) What is the subgame perfect equilibrium outcome? Write down the complete strategies they will use below.

3. (*3 points*) Unusual feedback questions:

(a) (*1 point*) Out of ten, my level of comprehension of the material covered this week is:

(b) (*2 points*) In our last week together, what topic would you most like to have covered again?

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This quiz will last 10 minutes.

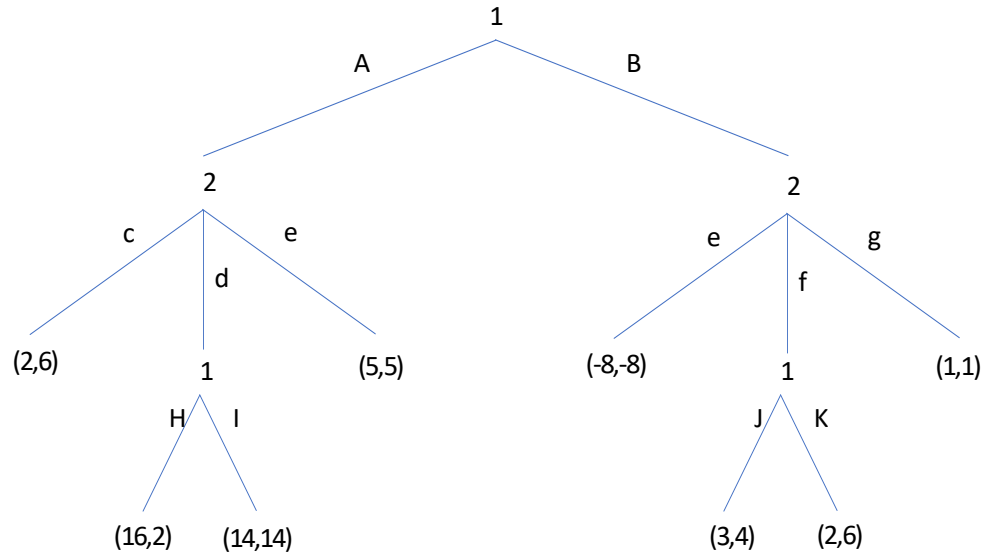
1. (3 points) (should be 7 points) **Honor Statement:** Please read and sign the following statement:

I promise that my answers to this test are based on my own work without reference to any notes, books, or the assistance of any other person. I will also neither help others nor use a calculator or other electronic aid for calculation.

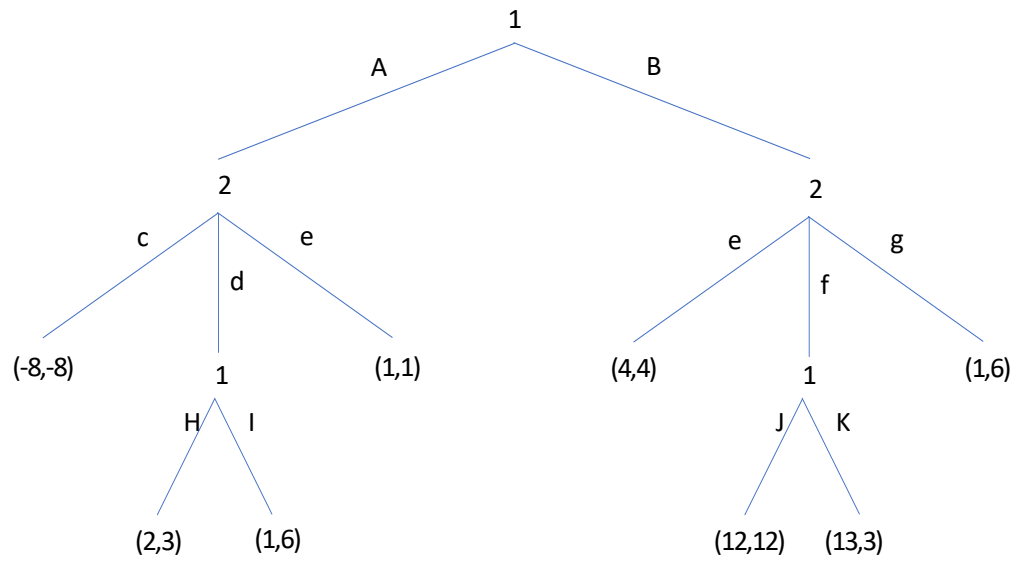
Name and Surname: _____
 Student ID: _____
 Signature: _____

2. (10 points total) Consider the following sequential game, where player 1 makes the first decision, choosing between A and B . In each pair of utilities the first one is for player one, the second for player two.

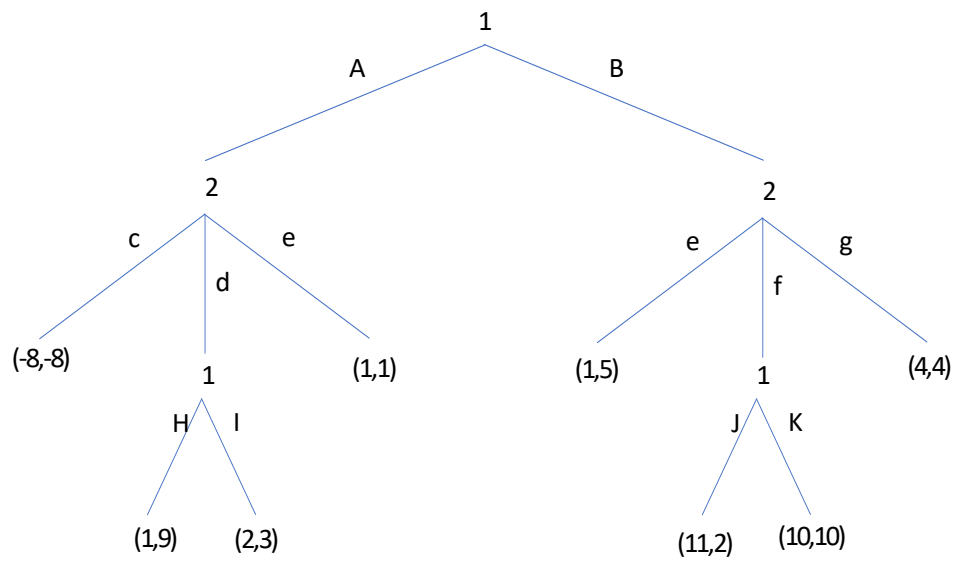
Remark 1 Notice there are two actions labeled e , I told them to label the second one e' , but in no case this can cause confusion about the answers.



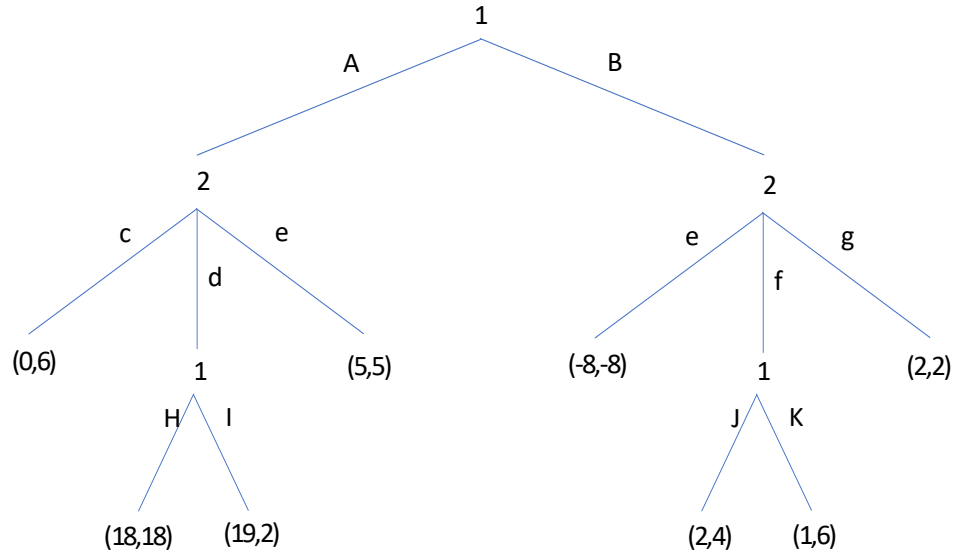
$SPNE : (H, J, c, f, B)$



SPNE : (H, K, d, g, A)



SPNE : (I, J, d, e', A)



SPNE : (I, J, c, f, B)

- (a) (7 points) Using backward induction, find the best response at each decision point. You may mark them on the game, but if we don't understand your notation you will not get credit.

Solution 2 Below each version of the game the SPNE strategies are written out, this is sufficient to indicate the BR's at each decision node.

- (b) (3 points) What is the subgame perfect equilibrium outcome? Write down the complete strategies they will use below.

Remark 3 Give them two points for indicating the correct outcome in either payoffs or equilibrium path. Give them an extra point for writing down the strategies, or if they just write down the strategies that is sufficient for full credit.

3. (3 points) Unusual feedback questions:

- (a) (1 point) Out of ten, my level of comprehension of the material covered this week is:

- (b) (2 points) In our last week together, what topic would you most like to have covered again?