

MICROECONOMICS 2

Exercise

- Find all sequential equilibria of the game in Figure 1 for $z = 2, 3$.

As a first step to solve this problem, verify that if player 3's information set is not reached in an equilibrium then consistency in sequential equilibrium places *no* restrictions on player 3's beliefs. Now, consider all possible strategies of players 1 and 2.

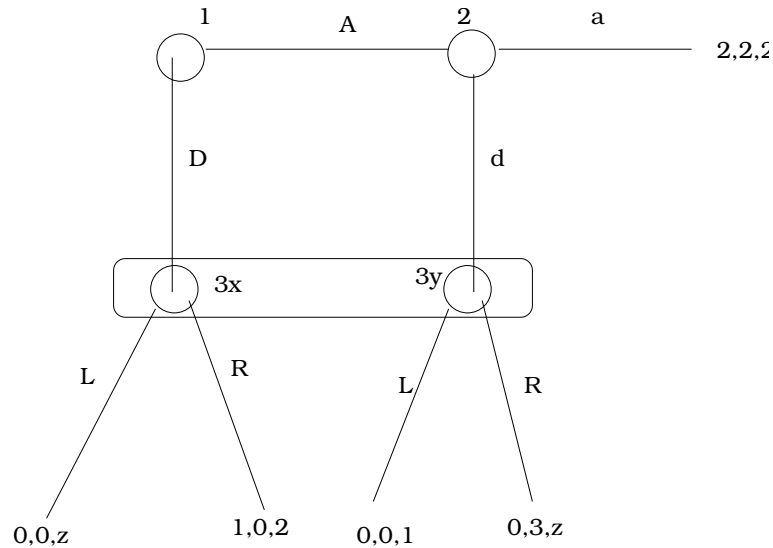


Figure 1: An Extensive Form Game with Three Players

- Find all sequential equilibria (including mixed strategies) of the game in Figure 2. Which of them satisfy the Intuitive Criterion and which of them satisfy the dominance requirement?
- Find all pooling equilibria of the game in Figure 3 in which Player 1 chooses the same pure strategy (you can restrict attention to Player 2 choosing pure strategies also). Which of them satisfy the Intuitive Criterion and which of them satisfy the dominance requirement?

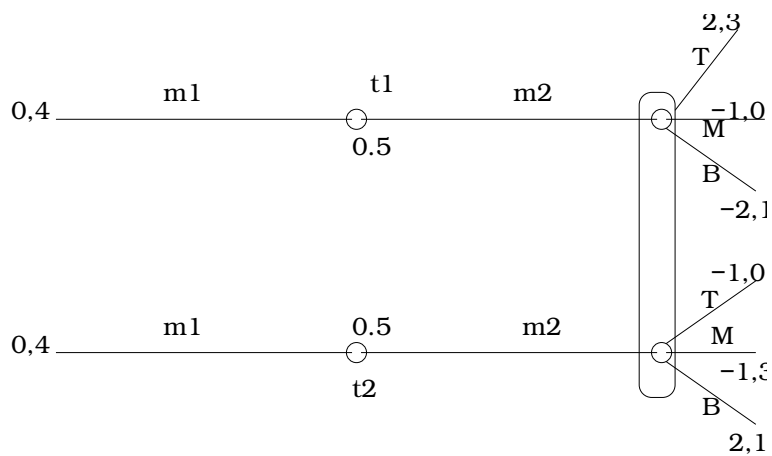


Figure 2: A Signaling Game

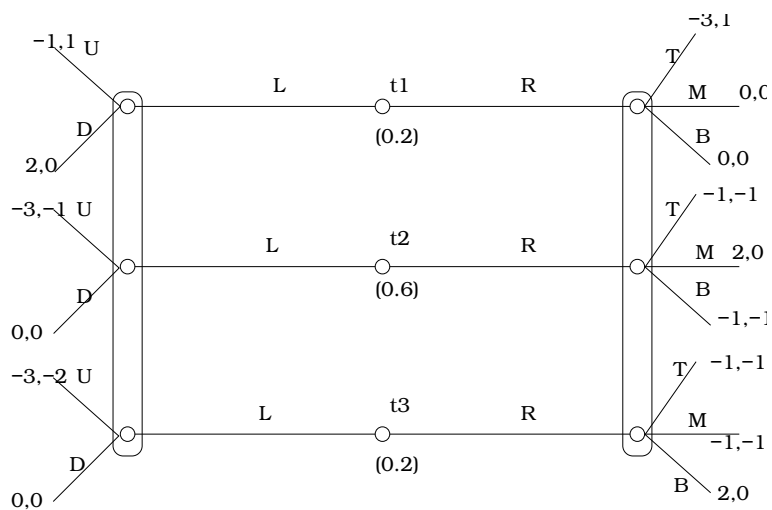


Figure 3: A Signaling Game