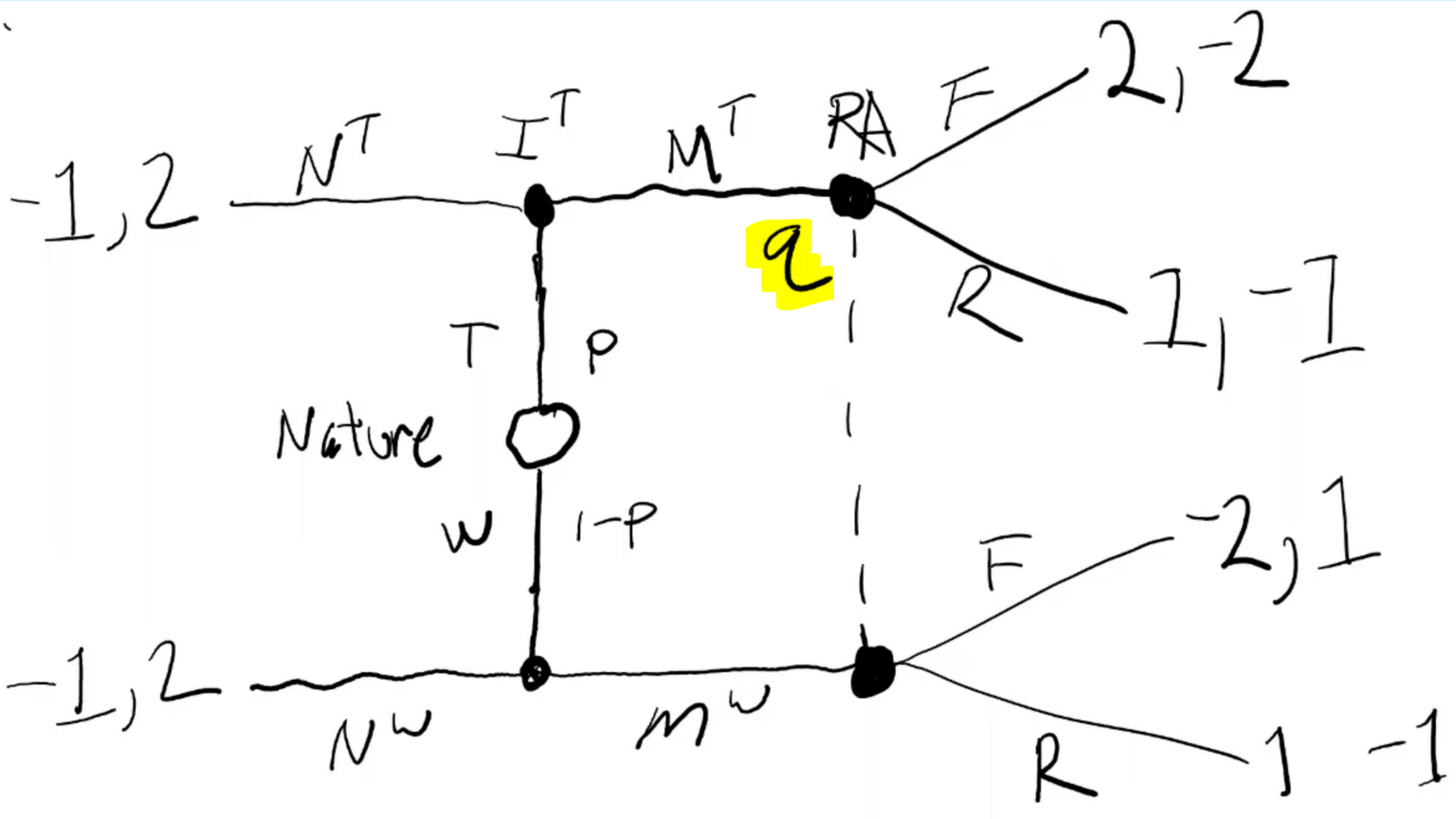
28.2 Perfect Bayesian Equilibrium 2

Monday, November 16, 2020 10:03 PM



$q = P(T|m)$ $\quad p = 3/4$ $\quad m^T m^w, R\ q$

$= P(m|T) \cdot P(T) / P(m)$

$= [1 \cdot .34] / 1 = 3/4$

Other values of p

Consider $m^T N^w$
R is BR to m^T

Is m^T BR yes
Is N^w BR NO R runs if mean is played

Consider $m^T m^w$ R q

$-2p + 1(1-p) < -1$
$-2q + 1(1-q) \rightarrow 2/3 < p$ $\quad \rightarrow$ PBE if $p > 2/3$

what if $p < 2/3$?