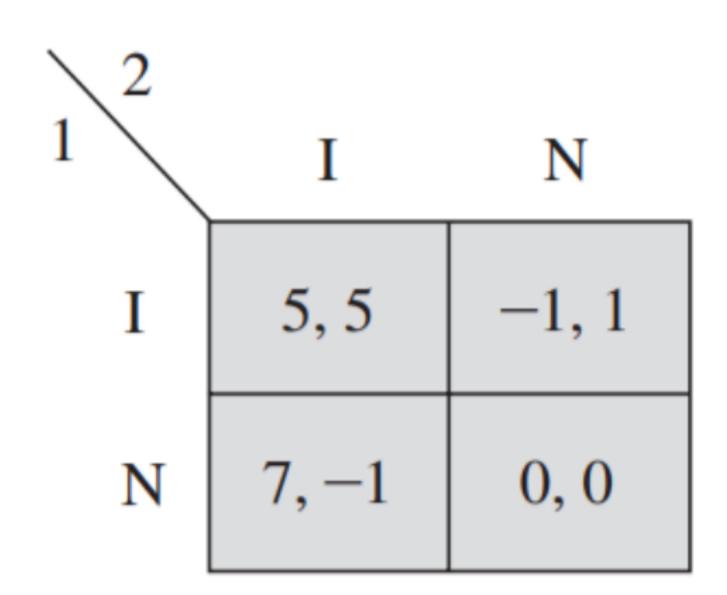
Passed Salution Verteur

1. Consider a contractual setting in which the technology of the relationship is given by the following underlying game:



Suppose an external enforcer will compel transfer α from player 2 to player 1 if (N, I) is played, transfer β from player 2 to player 1 if (I, N) is played, and transfer γ from player 2 to player 1 if (N, N) is played. The players wish to support the investment outcome (I, I).

(a) Suppose there is limited verifiability, so that $\alpha = \beta = \gamma$ is required. Assume that this number is set by the players' contract. Write the matrix representing the induced game and determine whether (I, I) can be enforced. Explain your answer.

(b) Suppose there is full verifiability, but that α , β , and γ represent reliance damages imposed by the court. Write the matrix representing the induced game and determine whether (I, I) can be enforced. Explain your answer.