

16 Extra Problems

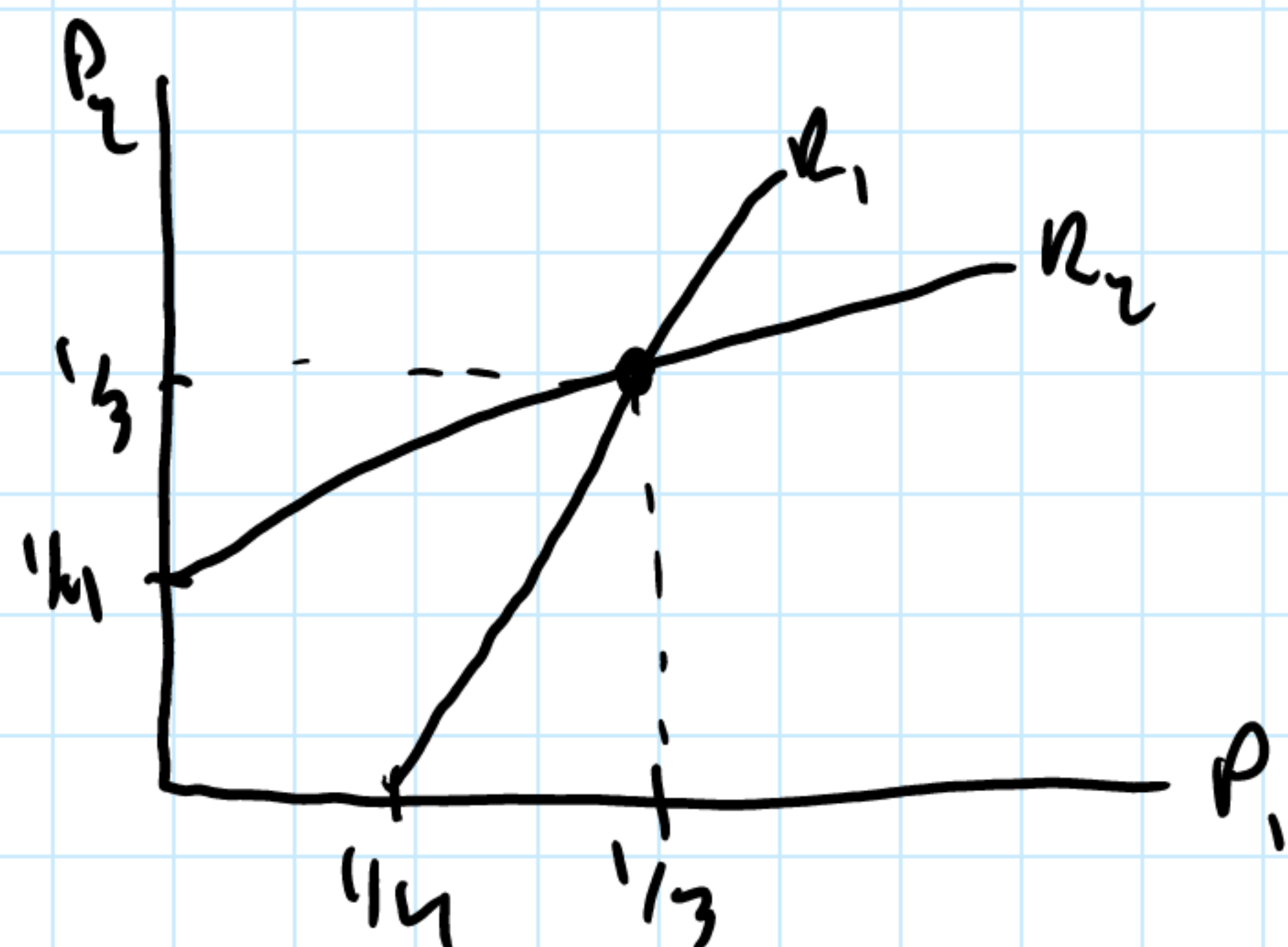
Friday, November 6, 2020 10:05 AM

$$c_1 = c_2 = 0$$

$$q_1 = \frac{1}{2} - p_1 + \frac{1}{2}p_2 \quad q_2 = \frac{1}{2} - p_2 + \frac{1}{2}p_1$$

$$u_1 = (p_1 - c_1)q_1 = p_1(\frac{1}{2} - p_1 + \frac{1}{2}p_2) \rightarrow \frac{du_1}{dp_1} = \frac{1}{2} - p_1 + \frac{1}{2}p_2 - p_1 = 0 \rightarrow p_1 = \frac{1}{4} + \frac{p_2}{4}$$

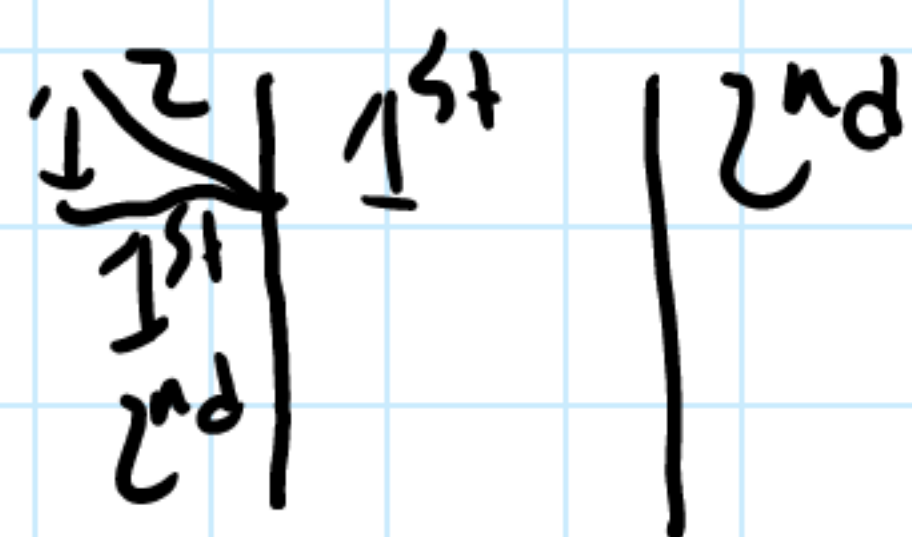
$$\rightarrow p_1 = \frac{1}{4}$$



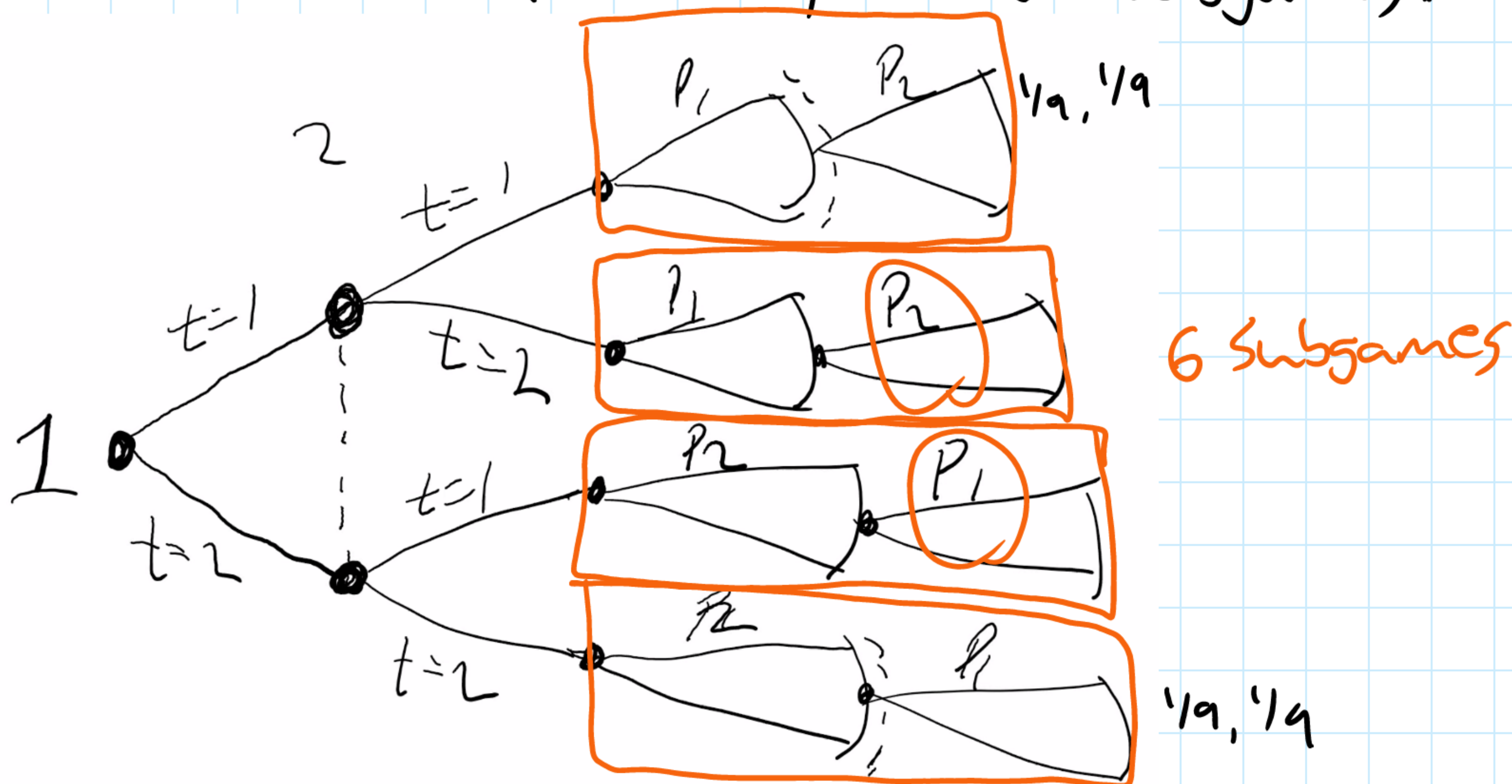
may
announce
p

must
announce
p

Sales
Based on
Prices



How many Proper Subgames?



$$u_1 = u_2 = \frac{1}{3}(\frac{1}{2} - \frac{1}{3} + \frac{1}{6}) = \frac{1}{9} \leftarrow \text{if simultaneous moves}$$

if p_1 goes first...