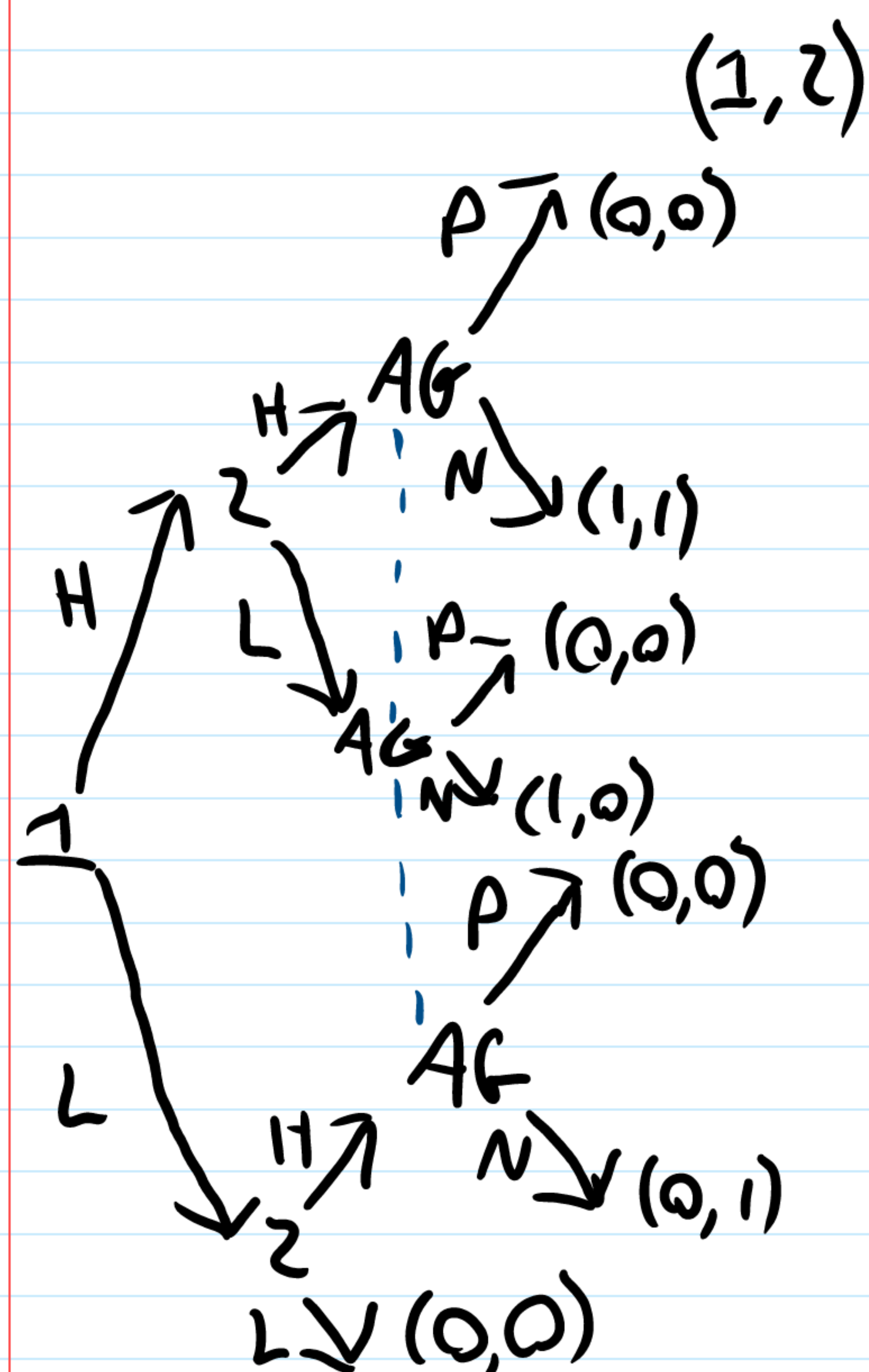


3 Example Problems

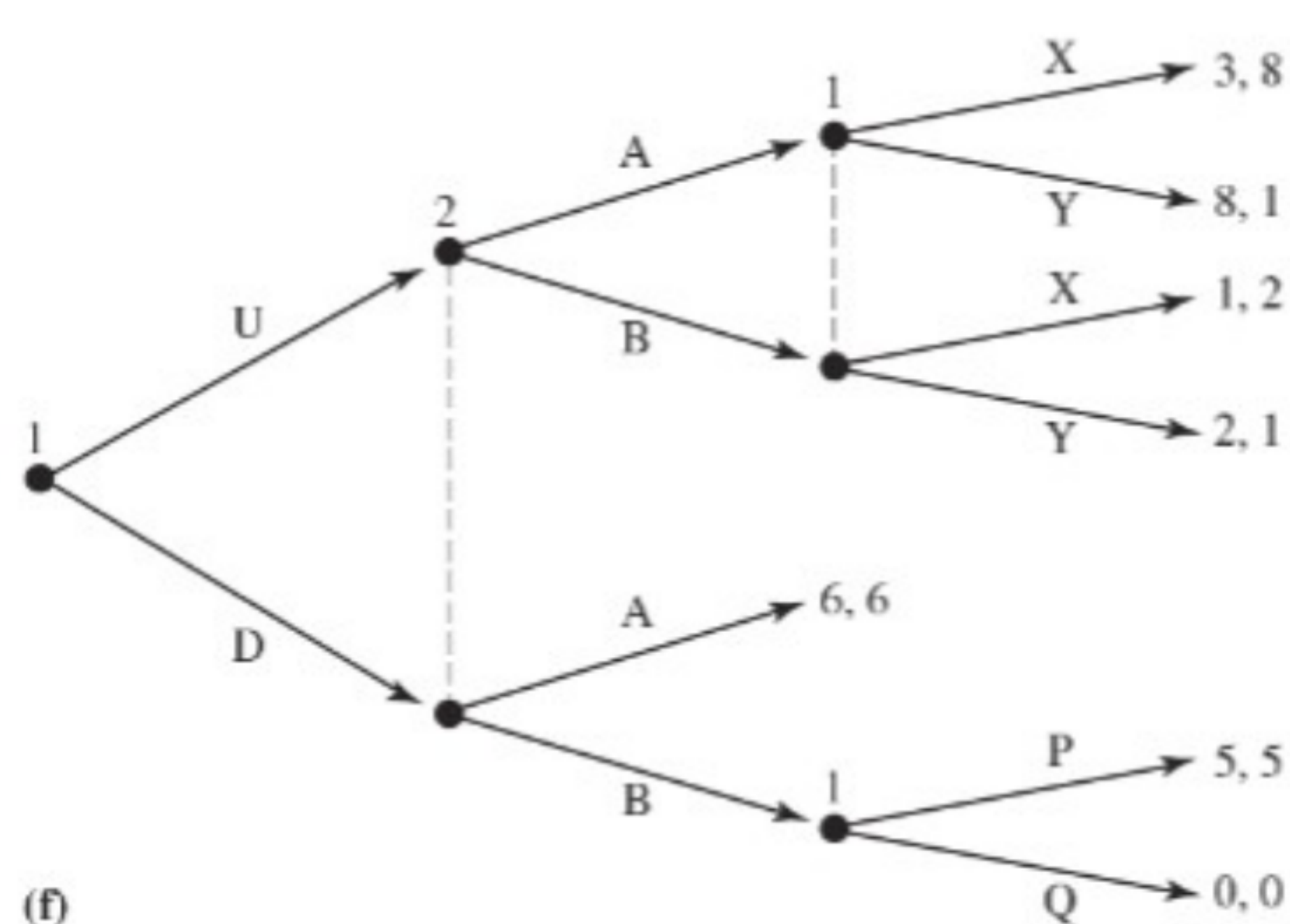
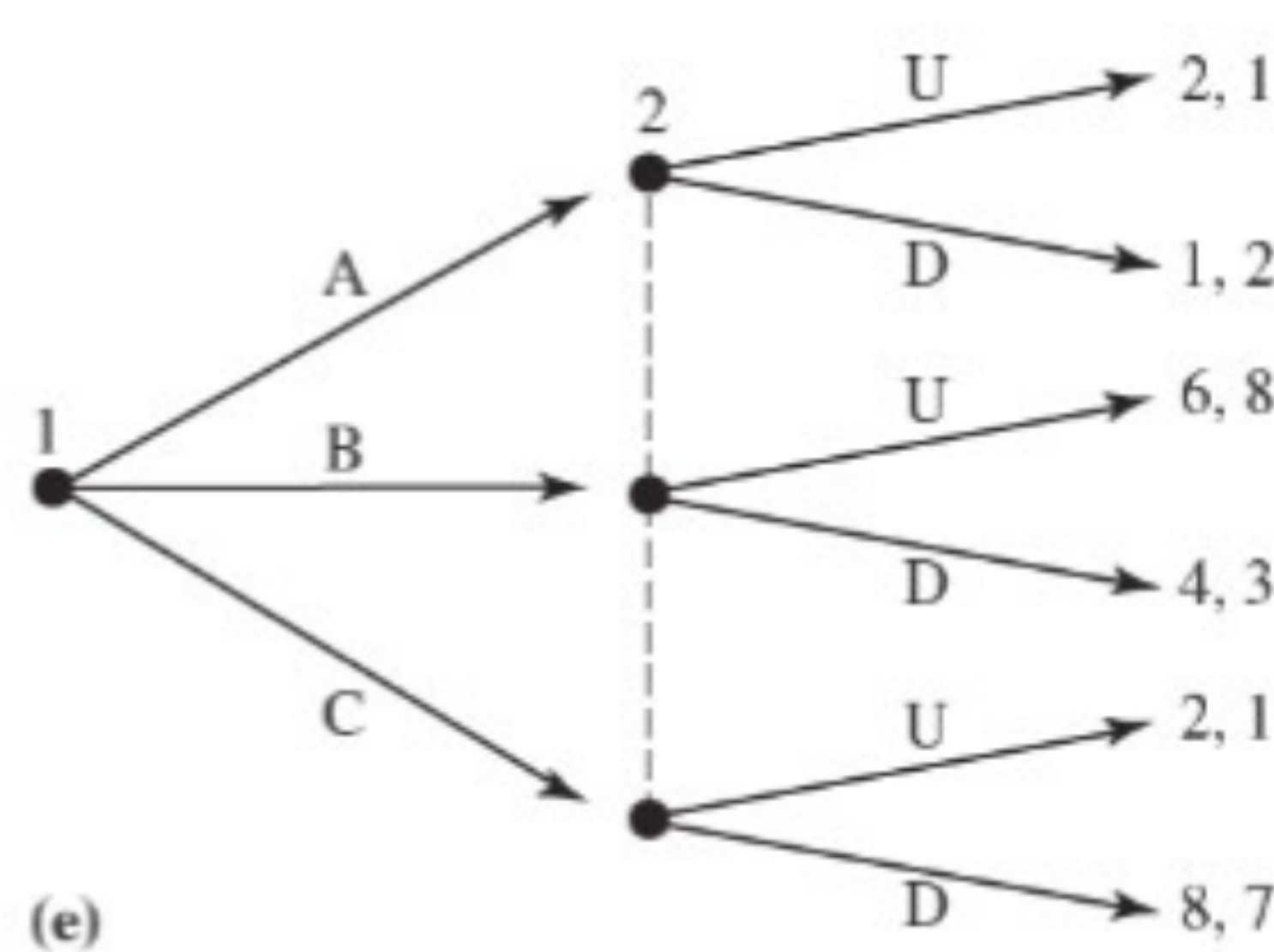
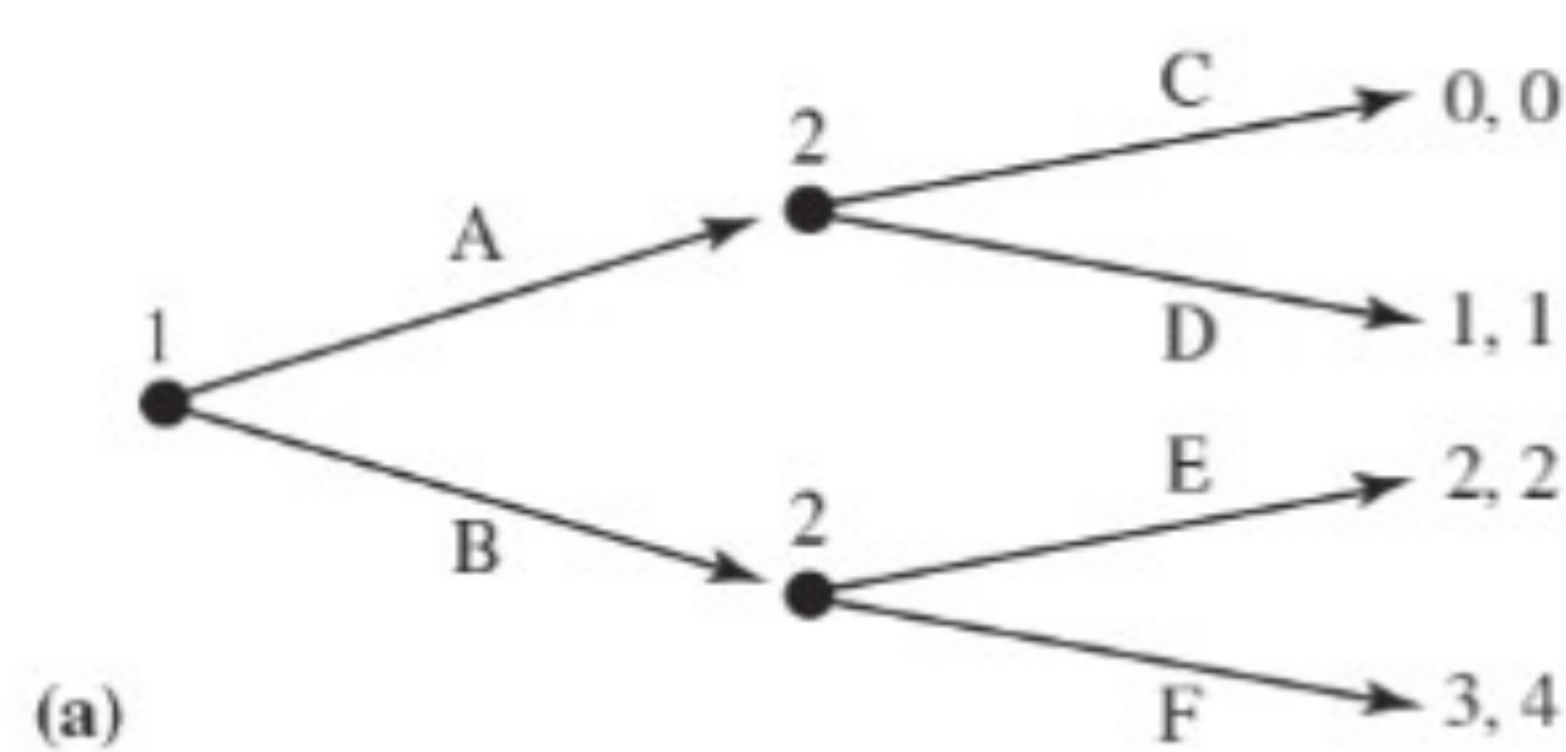
Friday, August 28, 2020

10:01 AM

2.3. Draw the extensive form for the following game (invent your own payoff vectors, because I give you no payoff information). There is an industry in which two firms compete as follows: First, firm 1 decides whether to set a high price (H) or a low price (L). After seeing firm 1's price, firm 2 decides whether to set a high price (H) or a low price (L). If both firms selected the low price, then the game ends with no further interaction. If either or both firms selected the high price, then the attorney general decides whether to prosecute (P) or not (N) for anticompetitive behavior. In this case, the attorney general does not observe which firm selected the high price (or if both firms selected the high price).



3.3. Draw the normal-form matrix of each of the following extensive-form games.



a)

	CE	DE	CF	DF
A	0,0	1,1	0,0	1,1
B	2,2	2,2	3,4	3,4

e) $\begin{array}{c|c|c} A & v & 0 \\ \hline \hline \end{array}$

[illegible]