

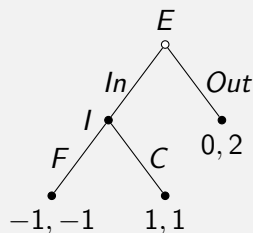
Subgame Perfect Equilibrium

Definition

A **subgame perfect equilibrium** of an extensive game with perfect information $\Gamma = \{N, H, P, (\succeq_i)\}$ is a strategy profile s^* such that for every player $i \in N$ and every nonterminal history $h \in H \setminus Z$ for which $P(h) = i$ we have

$$O_h(s_i^*|_h, s_{-i}^*|_h) \succeq_i |_h O_h(s_i, s_{-i}^*|_h)$$

for every strategy s_i of player i in the subgame $\Gamma(h)$.



What are the set of subgame perfect equilibria?

- $\{In, (In, C)\}$
- Subgame perfection eliminates Nash equilibria which imply incredible threats.