

## Exercises SPNE

1. Consider the game tree in Fig. 1 representing the sequential -move version of Pareto Coordination game, where firm 1 acts first (e.g., industry leader), and observing its move firm 2 responds (e.g., industry follower).

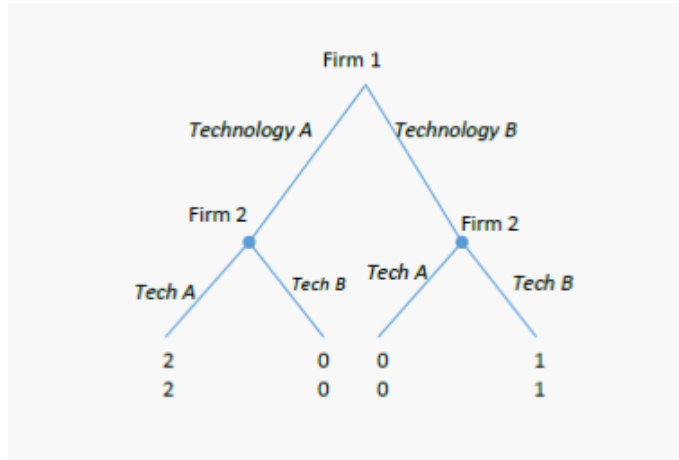


Figure 1

- (a) Find the best responses of the second mover, for each of the first mover's actions.
  - (b) Find the first mover's equilibrium action and describe the subgame perfect Nash equilibrium of the game.
  - (c) Does the equilibrium behavior in the sequential-move game differ from its simultaneous-move version?
2. Consider the game tree in Fig. 2 representing the sequential -move version of the Chicken game, where player 1 acts first, and observing its move player 2 responds.

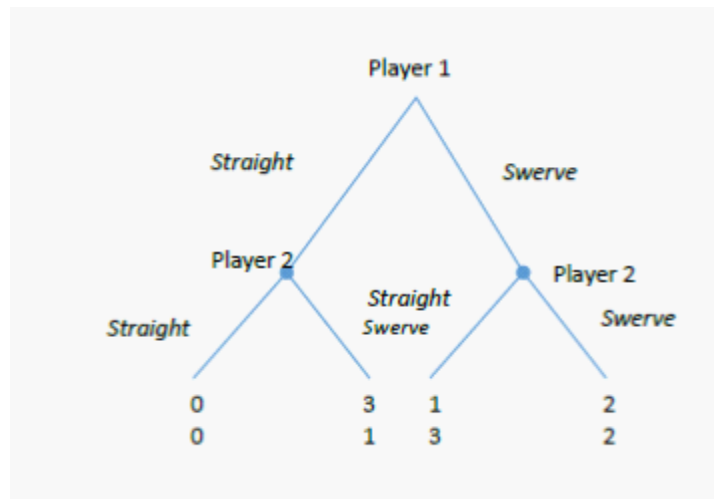


Figure 2

1. (a) Find the best responses of the second mover, for each of the first mover's actions.
- (b) Find the first mover's equilibrium action and describe the subgame perfect Nash equilibrium of the game.
- (c) Does the equilibrium behavior in the sequential-move game differ from its simultaneous-move version?