Games and Information

Problems Sets
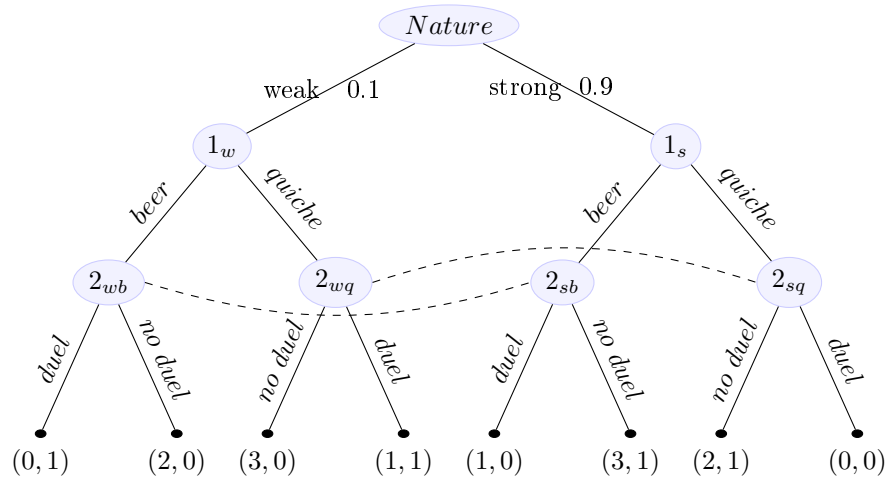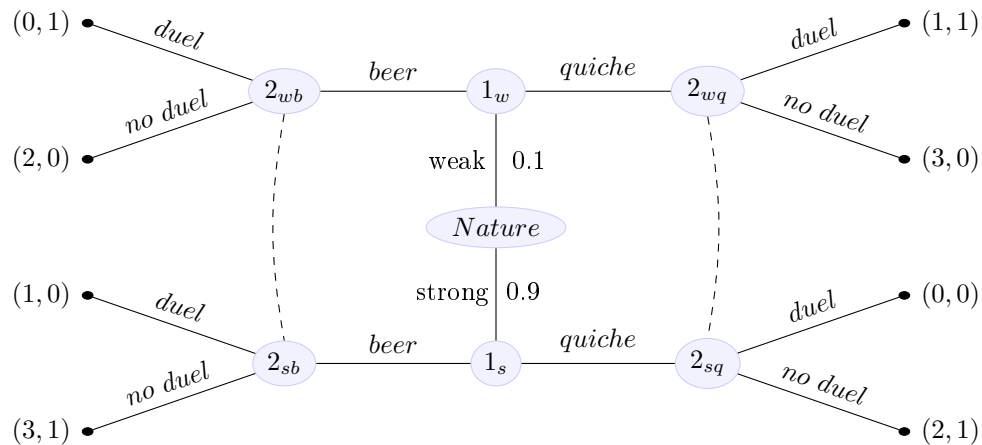
Summer Semester 2025
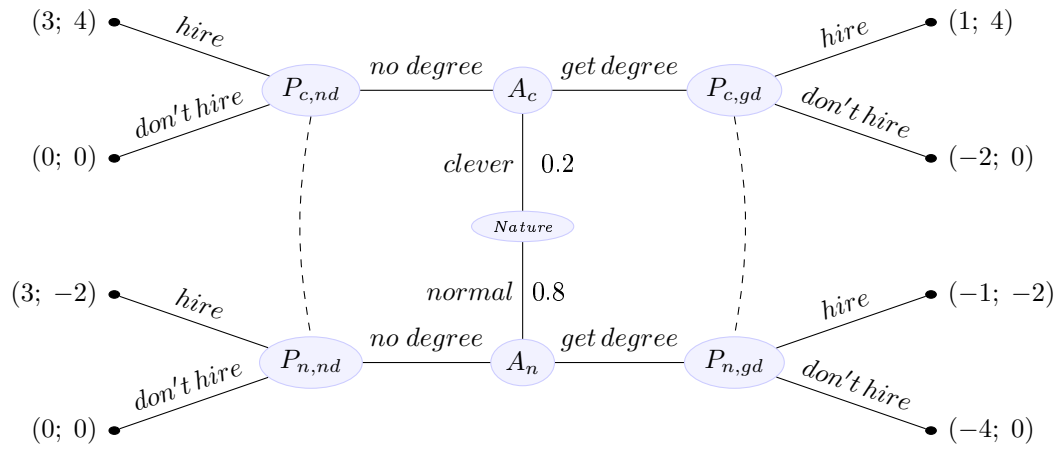
Karl-Josef Koch

Problem Set 5

Exercise 9

Compare the two games below.

(1) The two game trees look different. I claim they represent the same game. How do you argue to make sure that this is true - or false?

(2) What does the first game tree emphasize more clearly than the second?

Exercise 10

A version of Spence's Education Game

Player A can be seen as the agent in this game, player P as the principal.

(1) List the strategies of the agent and identify pooling and separating strategies!

(2) What are the Bayesian beliefs associated with these strategies?

(3) What are the best responses of the principal based on Bayesian beliefs?

(4) Find the perfect Bayesian equilibria of the game?

(5) Explain the role of signaling in this game!