







Subgame-Perfect Equilibrium of the original game:



There may be no subgame-perfect equilibria



## There may be several subgame-perfect equilibria



Set of NE = set of SPE in the class of games that ...

## A game with chance moves.

A coin is tossed twice. If the outcome is HH then Player 1 is informed that it was HH and if the outcome is any other outcome then Player 1 is only told that it was not HH. Then Player 1 chooses between A and B. Player 2 is not told what the outcome was, nor is she told what Player 1 chose and she has to choose between Cand D. The outcomes are sums of money: the first is what Player 1 gets and the second what Player 2 gets:

		С		D		
If the outcome is HH:	А	\$4	\$0	\$8	\$4	
	В	<b>\$0</b>	<b>\$8</b>	<b>\$12</b>	\$4	
			С	D		
e outcome is HT or TH or TT:	A	\$0	\$8	\$8	\$0	
	В	\$12	<b>\$0</b>	\$0	\$8	

If the

If the outcome is HH:			С		с D	
		Α	\$4	\$0	\$8	\$4
		В	\$0	\$8	\$12	\$4
		0	)		D	_
If the outcome is HT or TH or TT:	A	\$0	; \$8	\$8	D \$0	]
If the outcome is HT or TH or TT:	A B	\$0 \$12	\$8 \$8 \$0	\$8 \$0	D \$0 \$8	



If each player is selfish and greedy then the associated strategic form is as follows:



## 2



Now if we add the assumption that the players are risk neutral then the above strategic form can be simplified to the following:

