Problem Set 4

1. Bertrand with Entry: You must specify the FULL strategy of each player (firm). Note the challenger, should he choose to enter, pays a fixed cost of $f > 0$.

2. Brown/Smith: Make sure you identify the player that is UNcertain about the state of the world. Your expected payoff matrix for the uncertain player should be a 4x2.

3. N player FPSB auction: Valuations are distributed independently $U[0,1]$. Players maximize their "expected payoff" and NOT their "probability of winning."

4. Adverse selection: Note that x is continuous and can be any real number between 0 and 100 instead of discrete integers.

5. N/A.