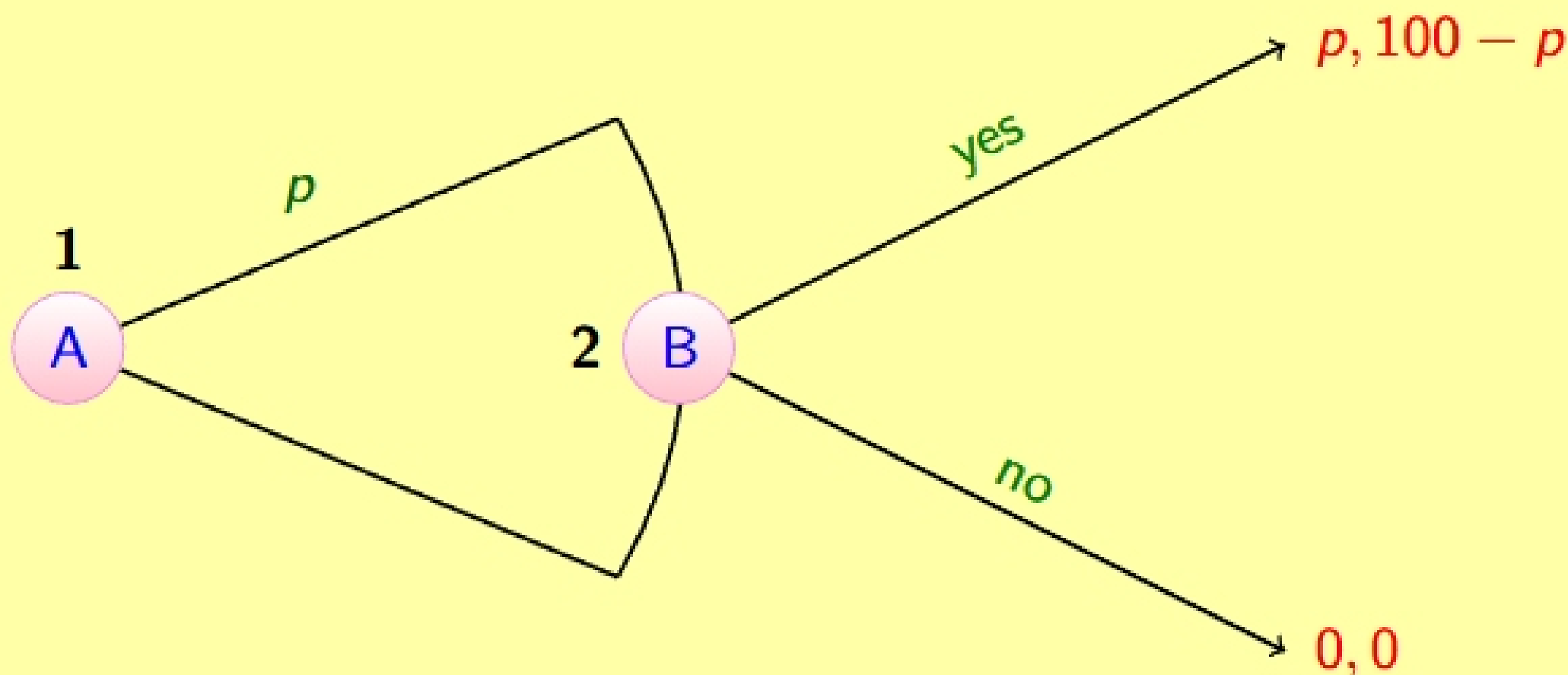
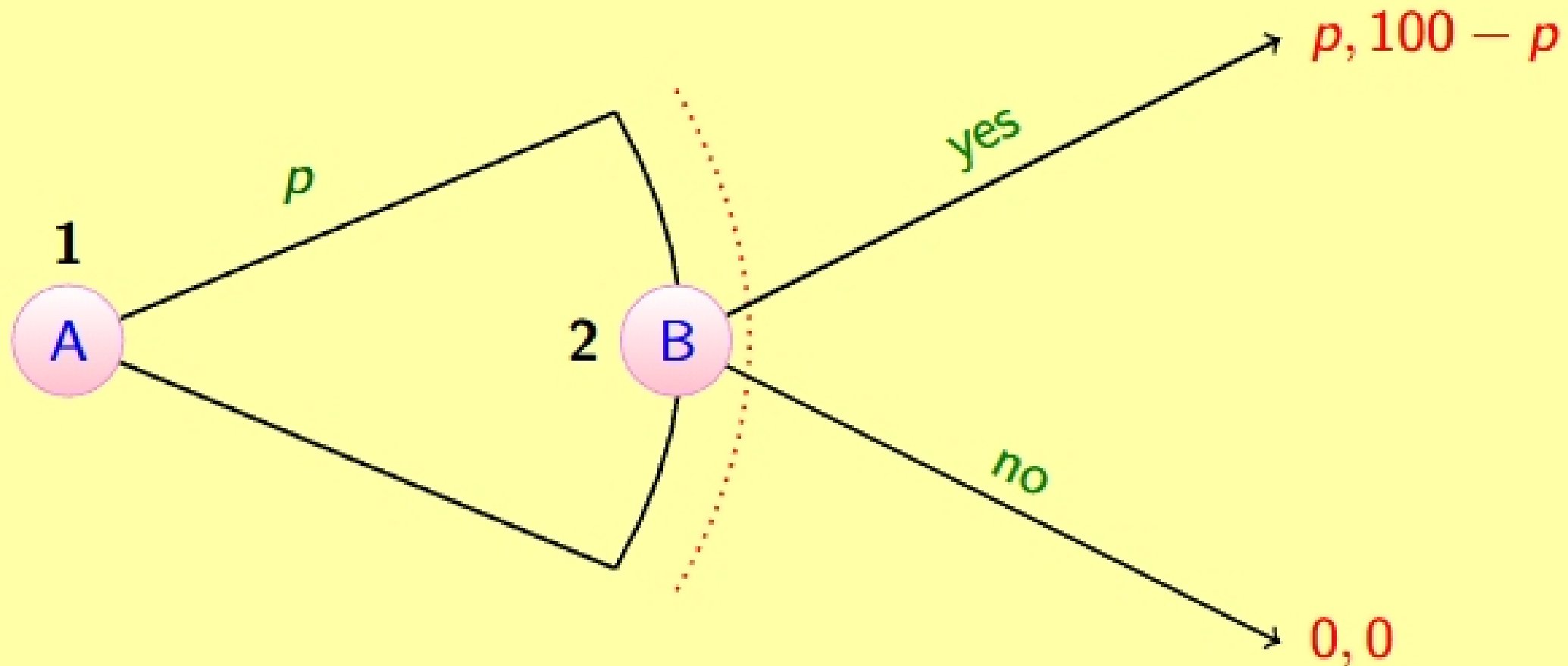


# Ultimatum game again



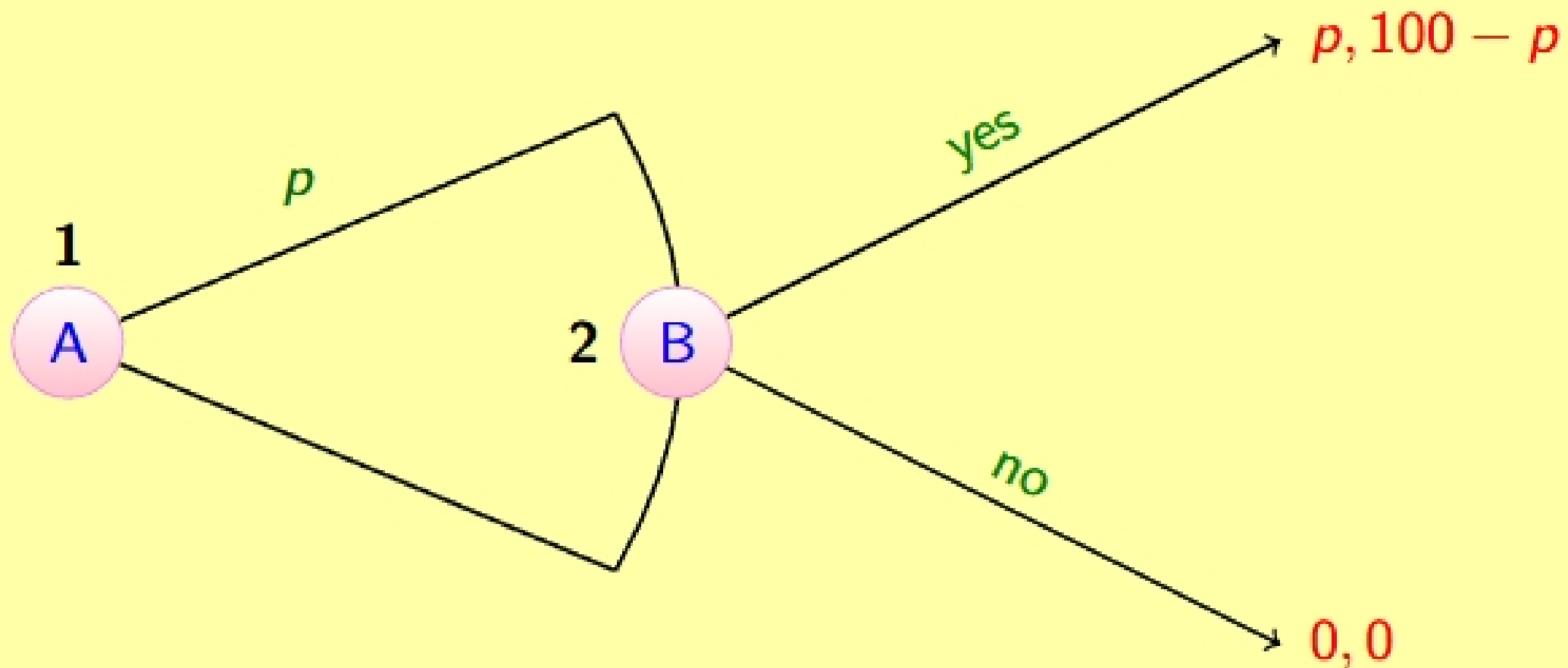
- ▶ P1 offers a painting worth \$0 to him at a price  $p$  to P2 who values it at \$100
- ▶ Note that P2's information set is a continuum characterized by  $p$
- ▶ P2's strategy is hence a function of  $p$

# Ultimatum game again



- ▶ Suppose P2 accepts any offer  $p \in [0, 100]$ 
  - ▶ Then P1 offers 0 and hence  $(0, Y)$  is a N/E
- ▶ Suppose that P2 accepts any offer  $p > 0$  but rejects  $p = 0$ 
  - ▶ Then there is no offer for P1 resulting in a N/E
    - ▶ P1 offering  $p = 0$  yields a payoff of zero
    - ▶ P1 offering  $p > 0$  is dominated by offering  $p/2$

# Ultimatum game again



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