

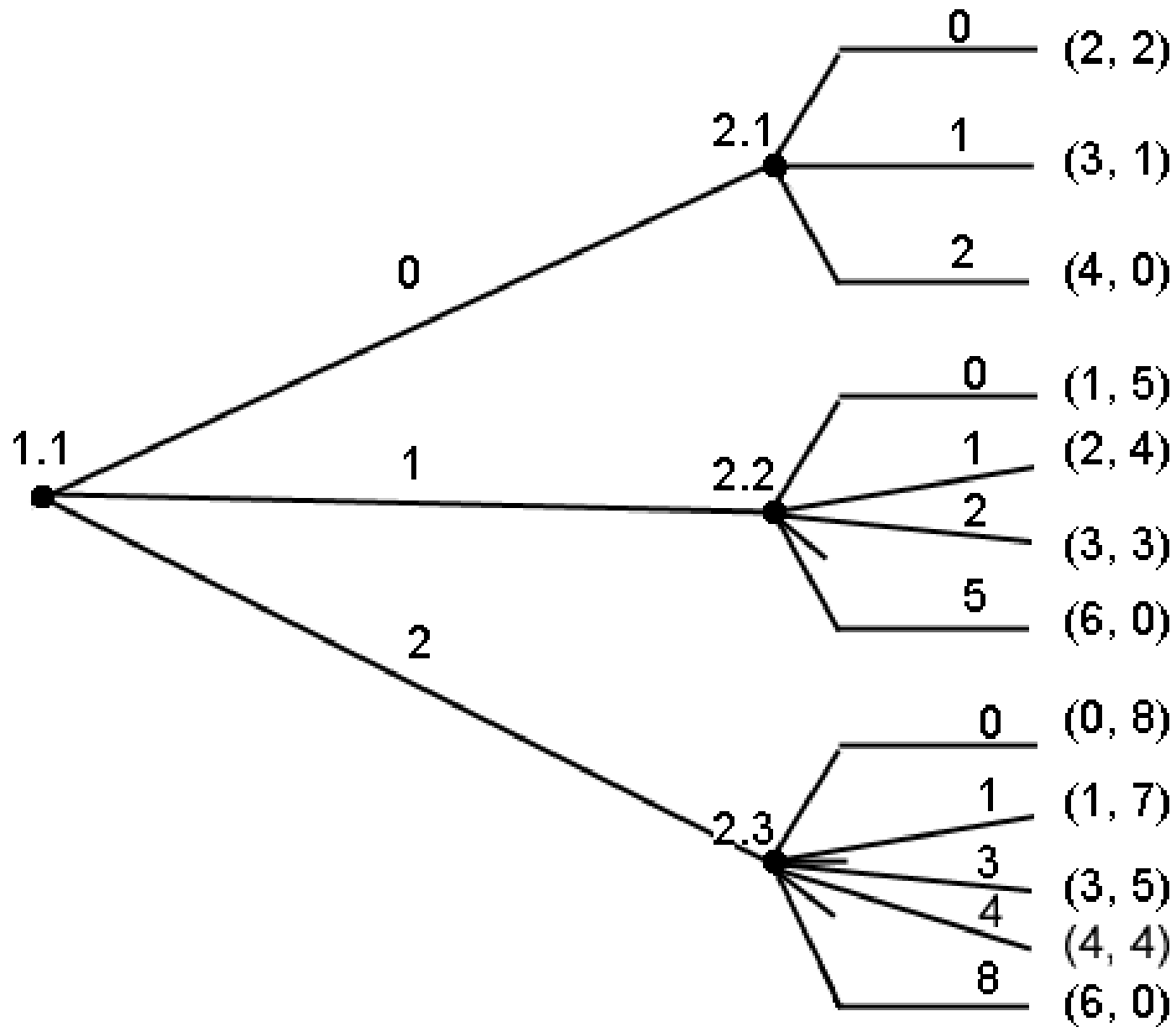
Trust Game

A. Results

Partial Lecture Notes

Trust Game

B. Sequential Equilibrium:



Trust Game

D. Trust game with norms

1. norms lead to different equilibria.
2. Suppose some receivers get 5 pts worth of utility by abiding by a 50-50 norm.

Trust Game

Player 1:

Action: Payoffs:

$$A0: \quad 2p + 2(1-p) = 2$$

$$A1: \quad 1p + 3(1-p) = 3-2p$$

$$A2: \quad 0p + 4(1-p) = 4-4p$$

So now we compare the expected value of each action pairwise (A0 to A1, A1 to A2, etc.).