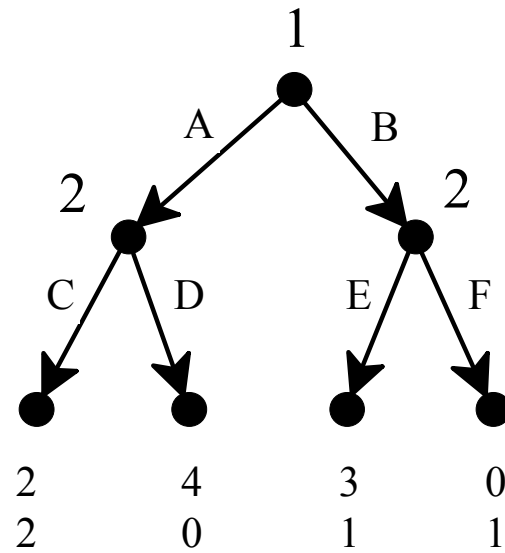
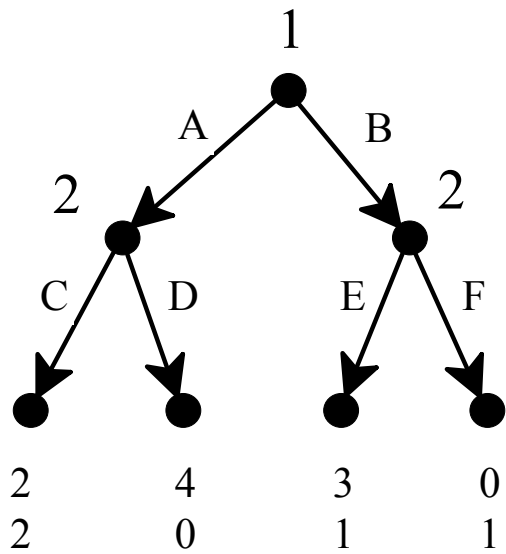
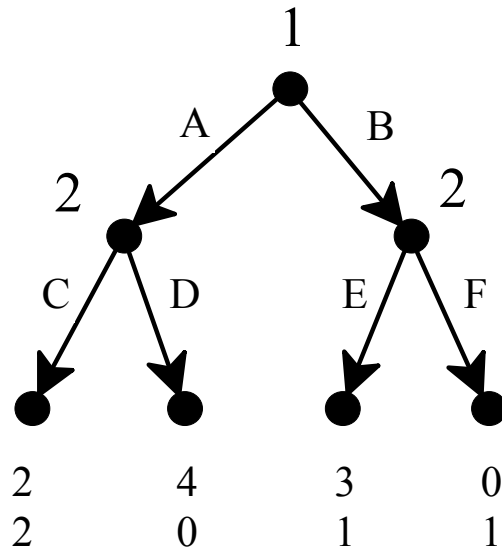
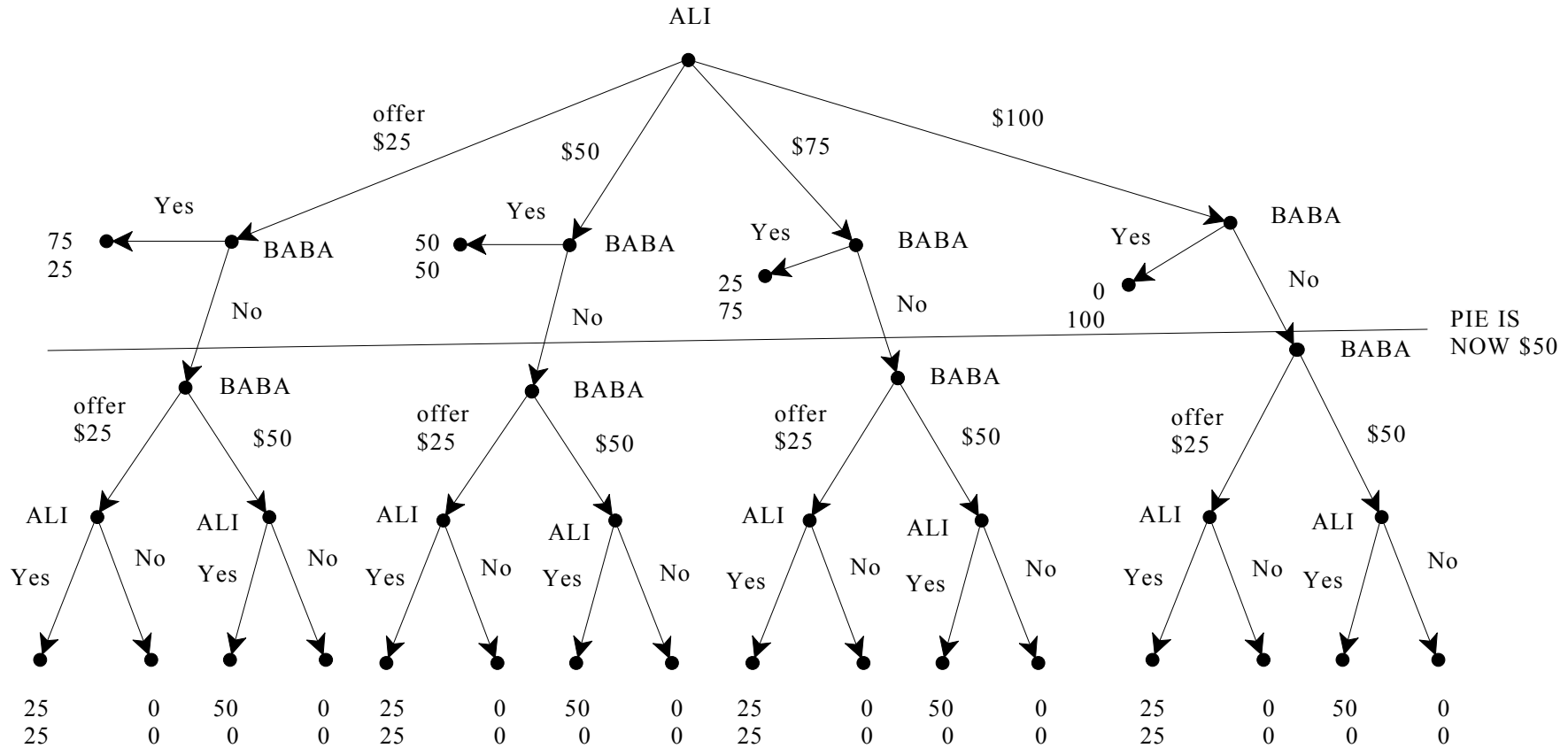


Multiple backward-induction solutions



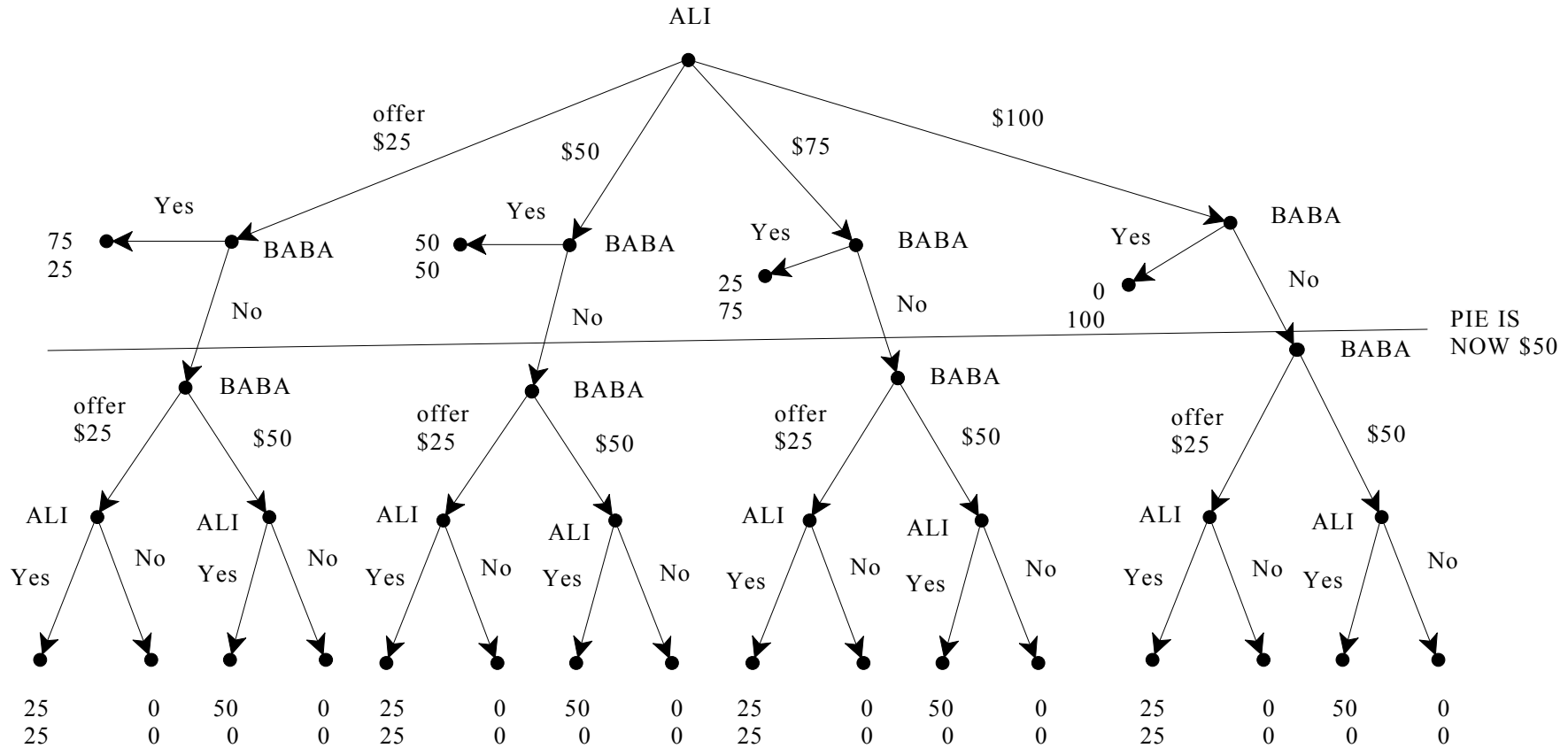
Bargaining game between Ali and Baba.

They have \$100 to divide. Ali makes an offer to Baba. Offers can only be multiples of \$25. The minimum offer is \$25. Baba can accept or reject. If he rejects the money to be divided shrinks to \$50 and he makes an offer. If Ali rejects then they both get nothing. Thus only two rounds of offers.

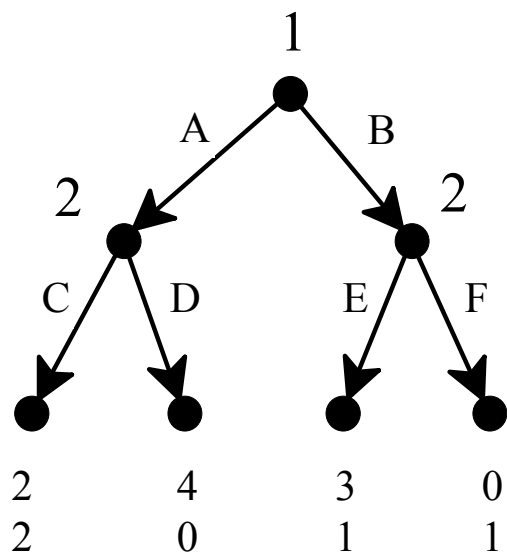


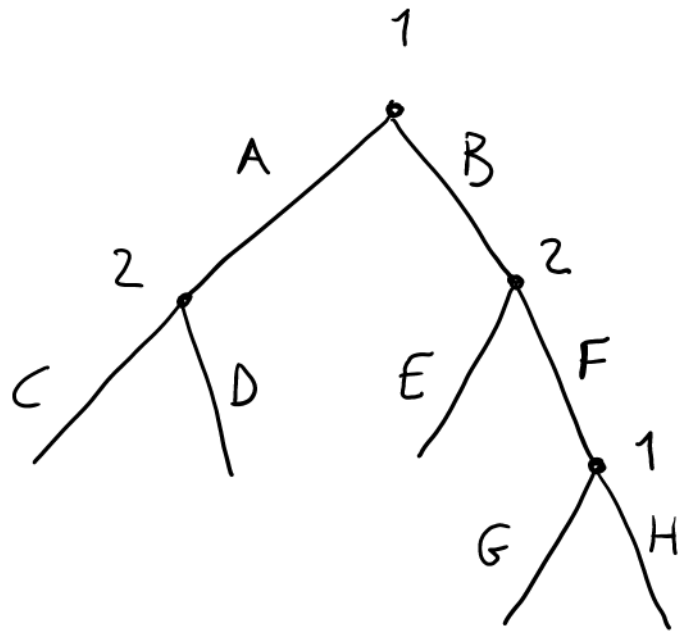
Bargaining game between Ali and Baba.

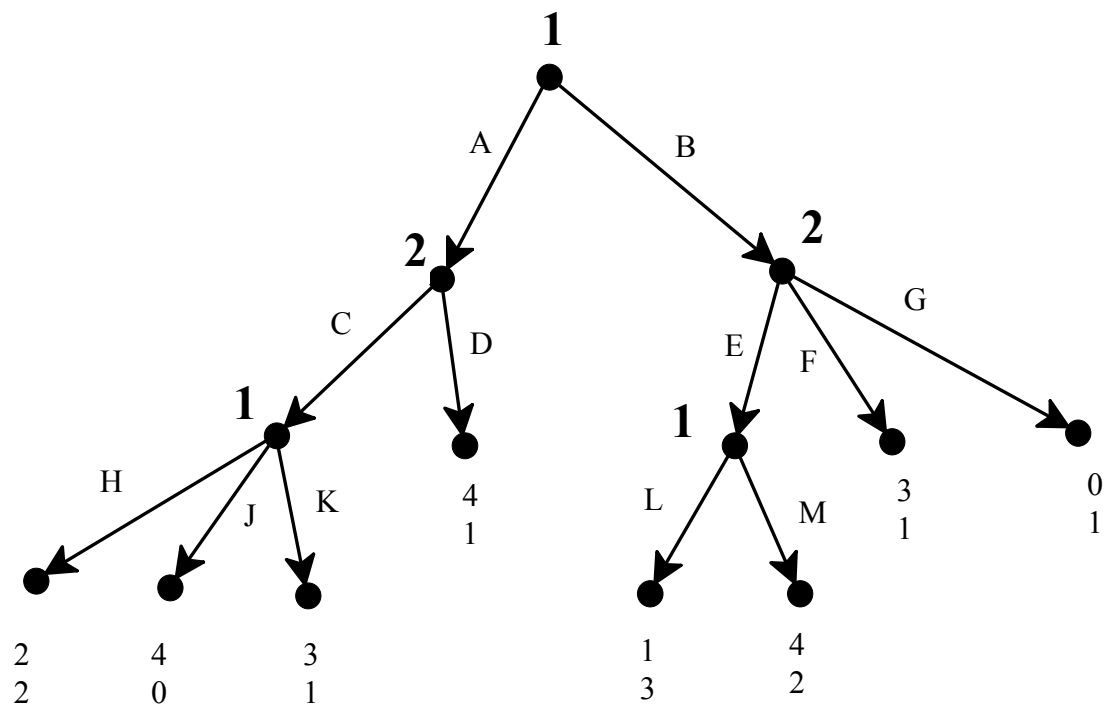
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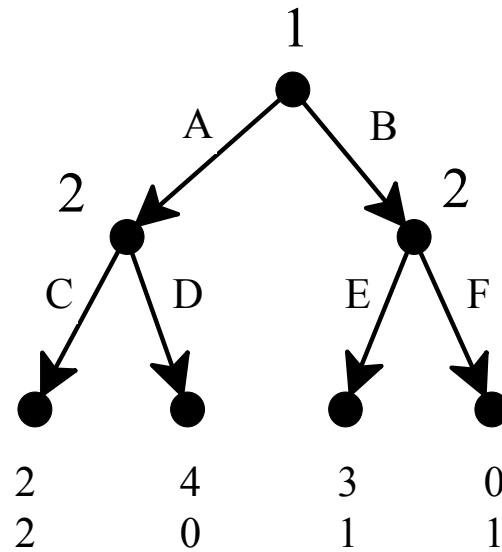
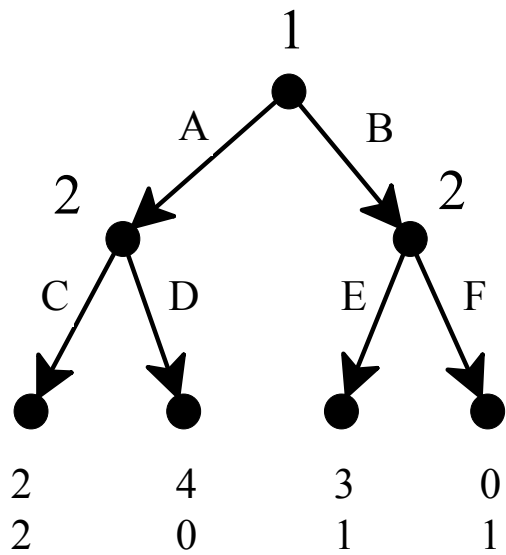
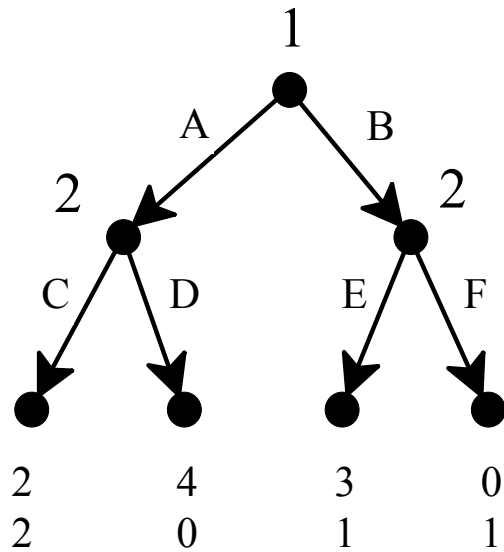
Definition: A *strategy* for player i in a perfect-information game is a list of choices, one for each node that belongs to player i .



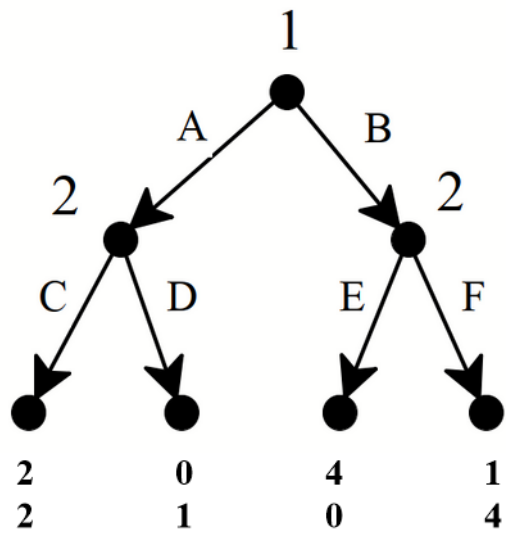




NOTE: Backward-induction solutions must be given in terms of *strategy profiles*, not in terms of actual choices.



Relationship between backward induction and Nash equilibrium



		2			
		CE	CF	DE	DF
1	A				
	B				