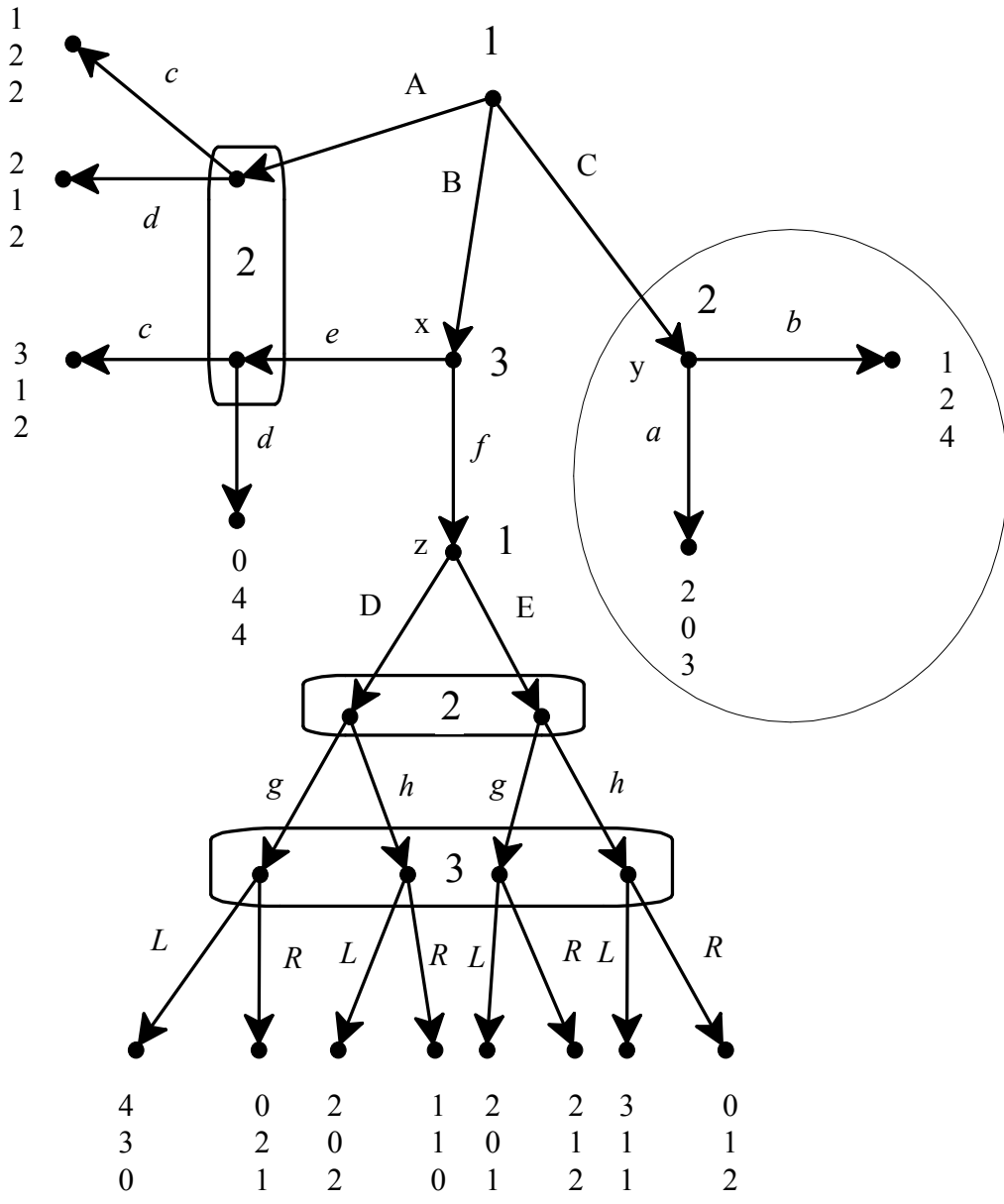
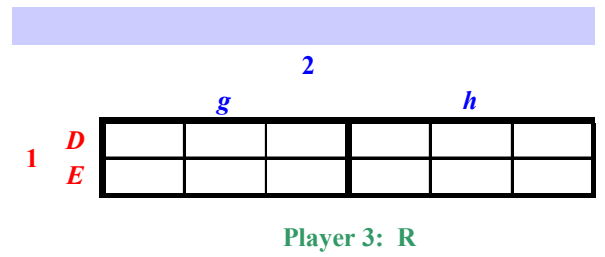
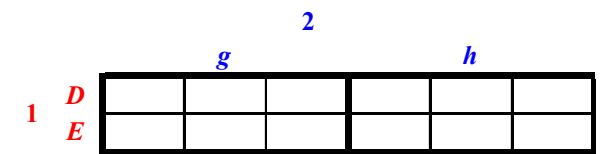
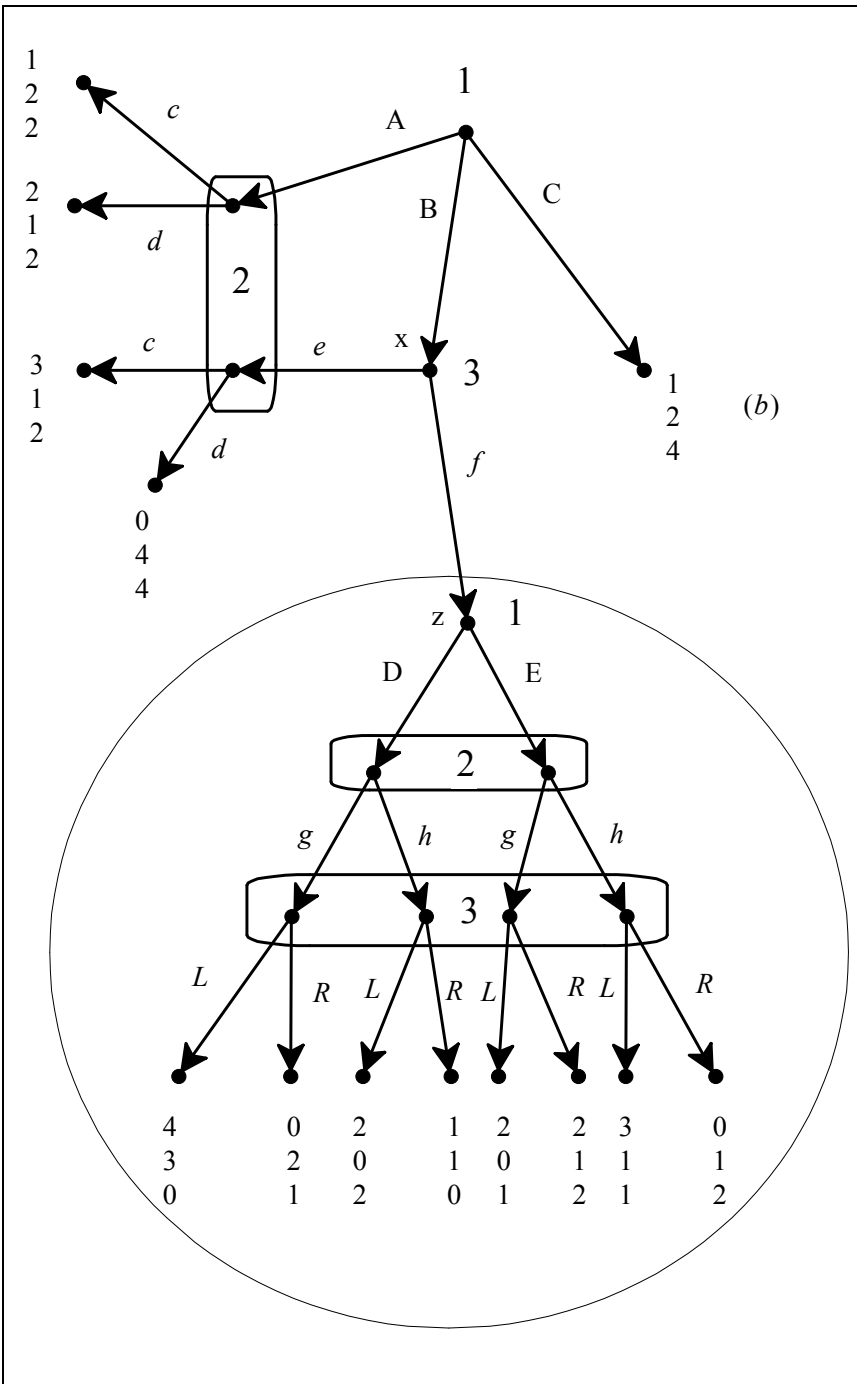


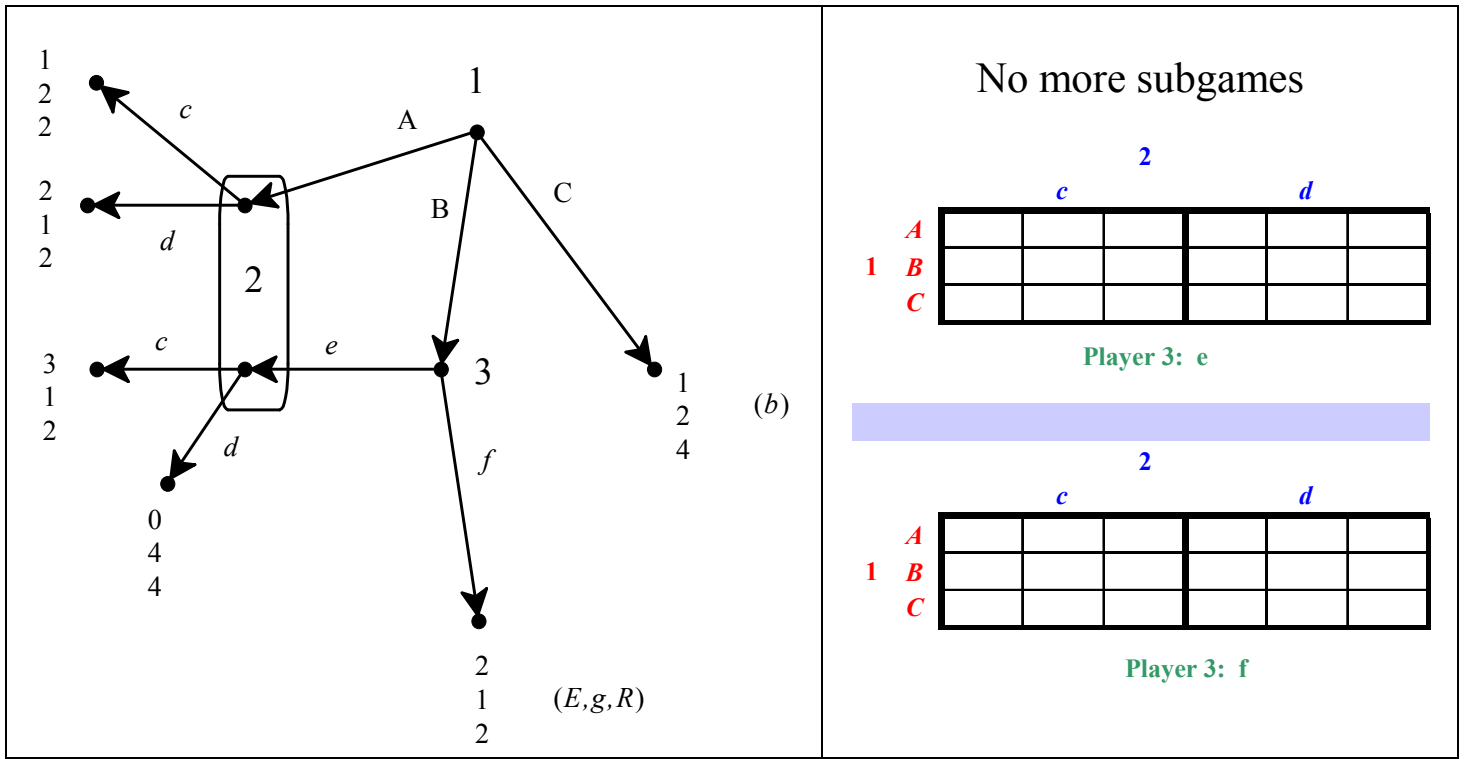
**Definition of SUBGAME.**

- Start from a singleton information set
- Take the entire sub-tree from there
- If you don't cut any information sets then you have a subgame otherwise you don't

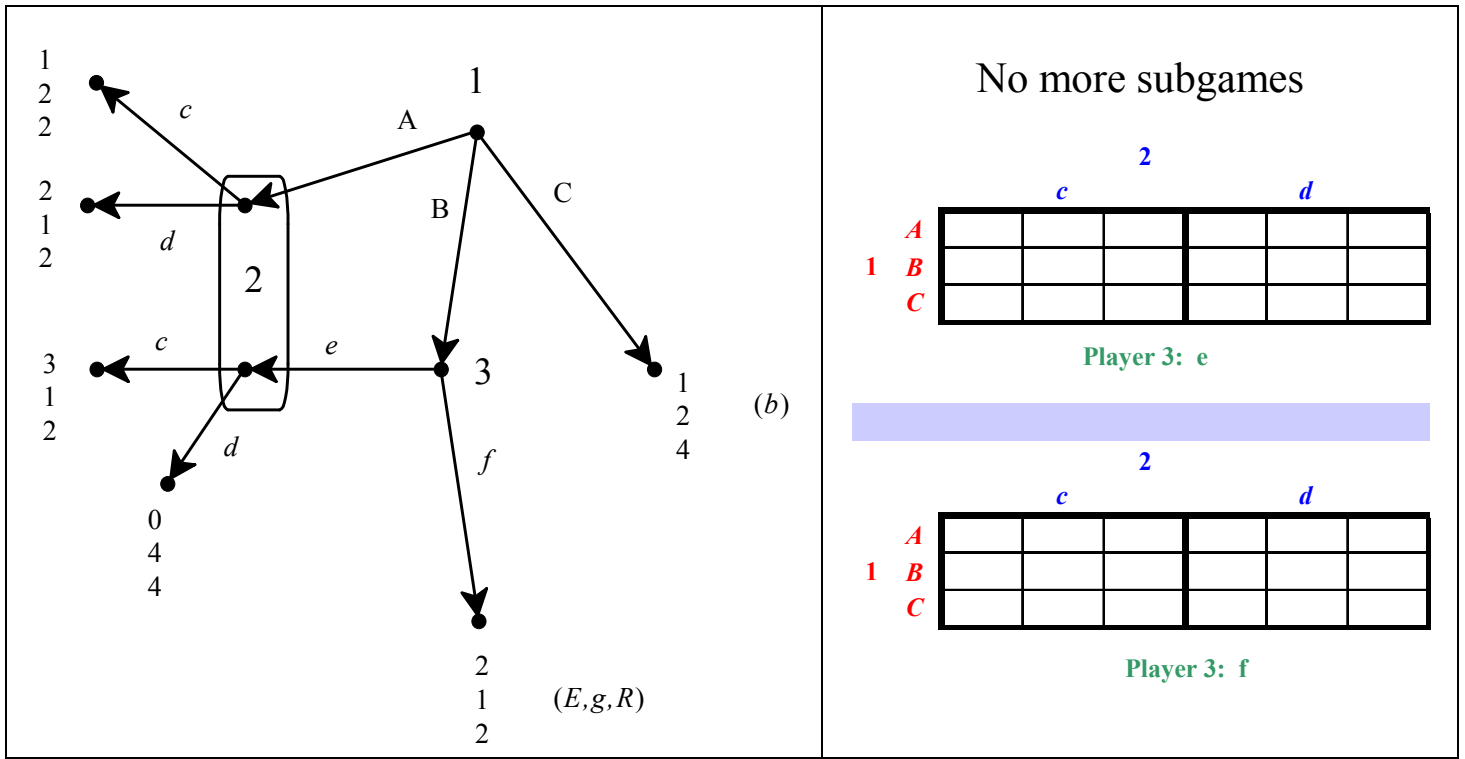
# SUBGAME-PERFECT EQUILIBRIUM





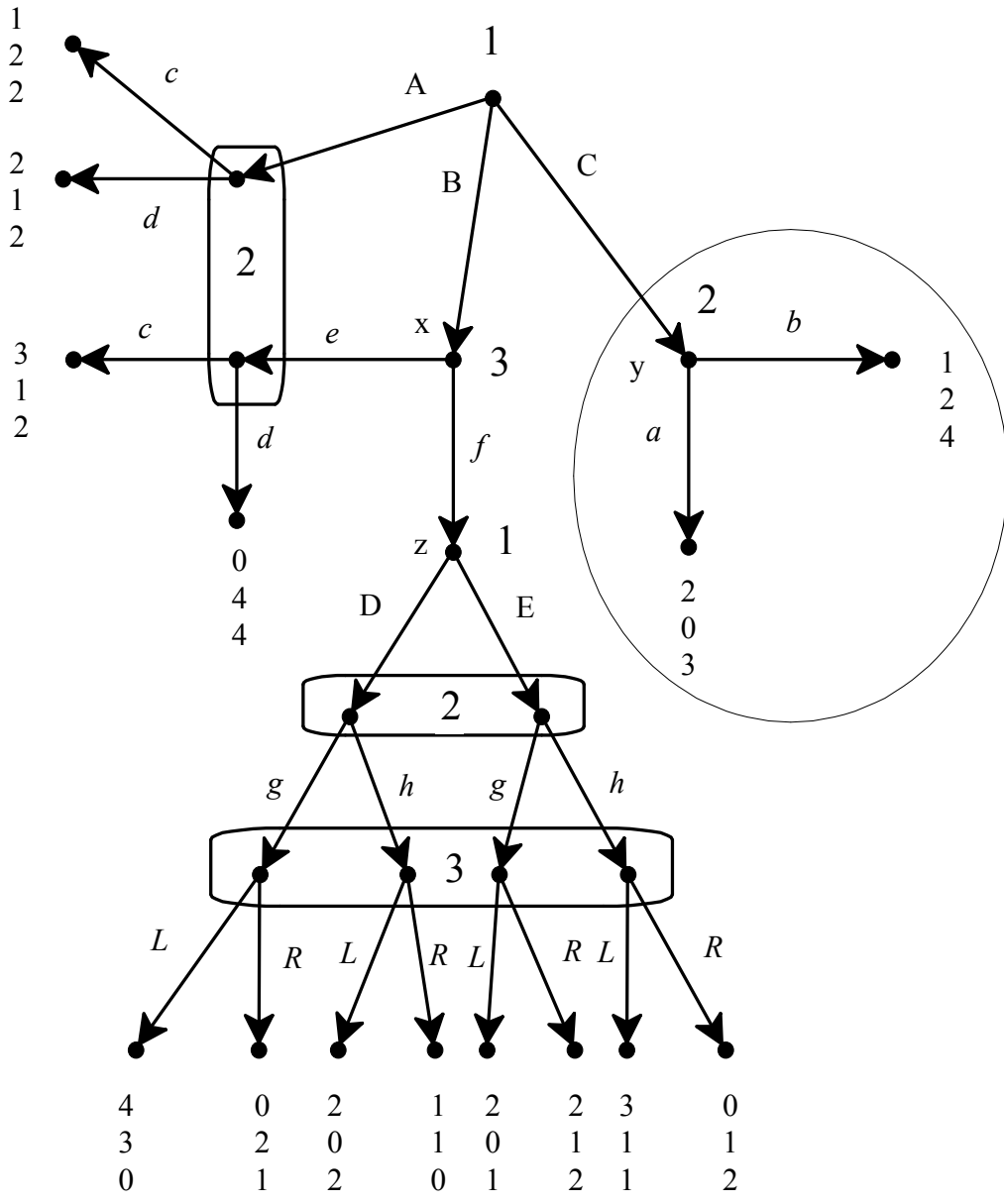


**Subgame-Perfect Equilibrium of the original game:**

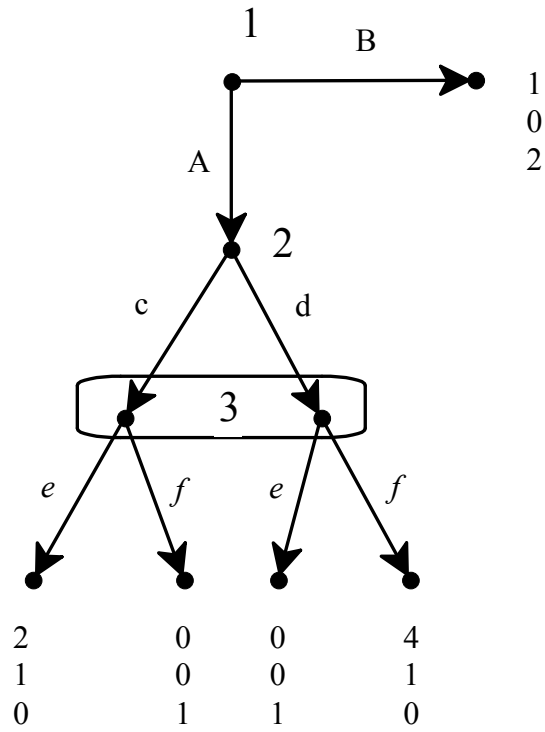


**Subgame-Perfect Equilibrium of the original game:**

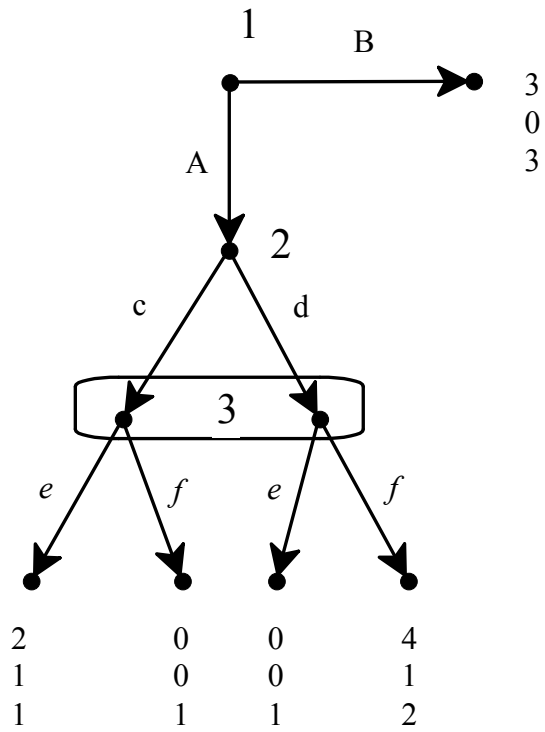
# SUBGAME-PERFECT EQUILIBRIUM



## 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 ...**