

Subgame Perfect Equilibrium with Uncertainty

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Abstract We introduce a notion of subgame perfect equilibrium with uncertainty in extensive games with perfect information. We show that by this notion, we can predict a result of three stage alternating-offer game by Johnson, Camerer, Sen and Rymon (2002): average offer was 2.11, from results of Ultimatum game written in Camerer and Thaler (1995): offers typically average about 30-40 percent of the total.

KEYWORDS: Uncertainty, subgame perfect equilibrium, backward induction, bounded rationality, altruism, experiment, bargaining.