



stands for  $-1/4$ . The reader can verify that the only path in  $G(7)$  is for player 1 (of both types) to choose  $r^3$ . This is not a PSE path. Given the proposition that a consistent belief after a move  $m^1$  is that  $\text{Prob}(t^2) = 1$ , it causes  $t^2$  to deviate from the unique sequential equilibrium. It exists a unique sequential equilibrium outcome that is  $(1+, 0)$ . Because the set of PSE outcomes is a subset of

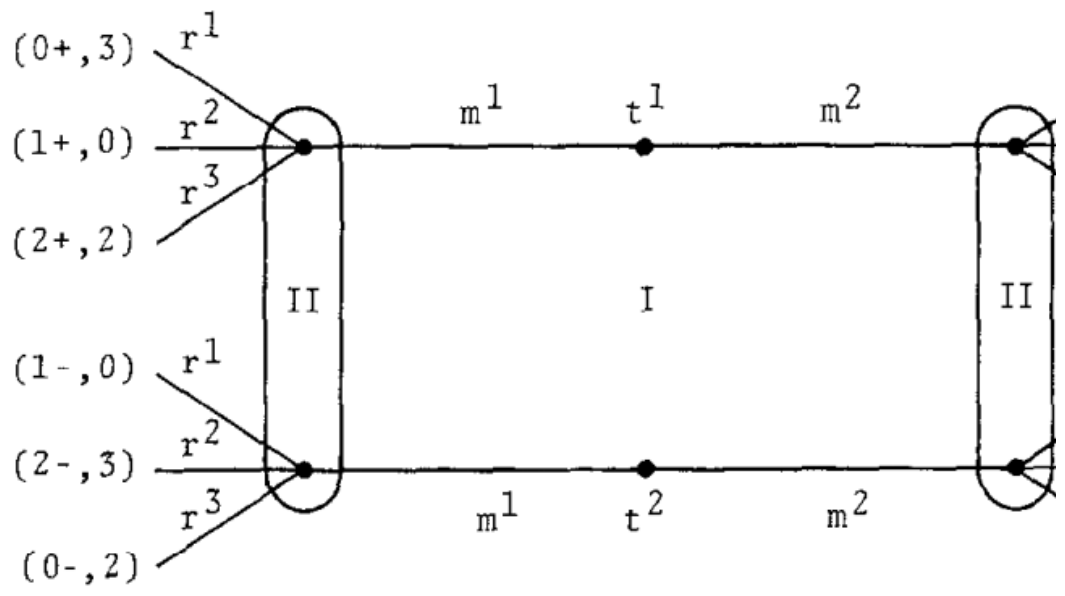


FIGURE 7

PERFECT SEQUENTIAL EQUILIBRIUM

equilibrium outcomes, it follows that in  $G(7)$  (shown to exist