

EC107

Economics 1

Term 1

In-Class Questions

Week 5 Support and Feedback Class

Unit 4

Social Interactions

In-Q4.1: (This question duplicates Pre-Qn 4.10 and builds on Pre-Qns 4.6-4.9)

Consider the pay-off matrix below:

		Bala	
		IPC	Terminator
Anil	IPC	3, 3	4, 1
	Terminator	1, 4	2, 2

- (i) What might the strategies 'Terminator' and 'IPC' be referring to?
- (ii) What is Anil's best response to Bala playing strategy 'IPC'?
- (iii) What is Anil's best response to Bala playing strategy 'T'?
- (iv) Does Anil have a dominant strategy or not?
- (v) Does Bala have a dominant strategy or not?
- (vi) What do you think will be the outcome of the game?
- (vii) Is the game an example of a social dilemma or not?

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In-Q4.2: (This question builds on Pre-Qns 4.11-4.12)

- (i) Show in diagrams how to map from the payoff matrix below into a diagram in which Anil's payoffs are on the horizontal axis and payoffs to Bala are on the vertical axis.

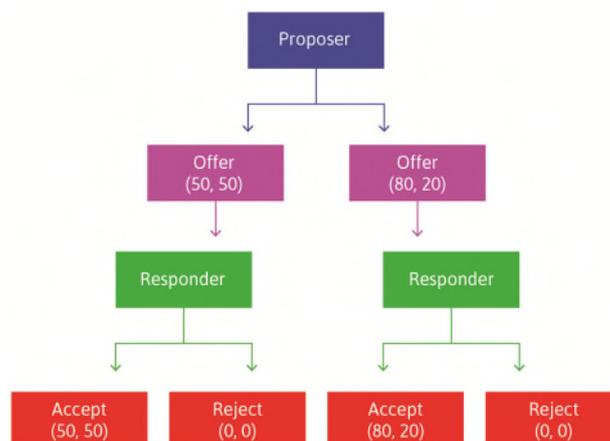
		Bala	
		IPC	Terminator
Anil	IPC	3 / 3	4 / 1
	Terminator	1 / 4	2 / 2

- (ii) On the basis of the diagrams you have shown, explain how if both Anil and Bala are altruistic this can resolve the social dilemma arising when they are both self-regarding.

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In-Q4.3: Consider the ultimatum game represented in the diagram below.

- (i) Explain what the elements of the diagram are representing.
 (ii) If you are the responder, how would you react to each of the two offers which the proposer might make to you?
 (iii) If you are the proposer, which of the two offers would you make (why not try out the game in your group/sub-group)?



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Following your Class meeting of Week 5, you should ensure that you are able independently to be able to produce clear and comprehensive answers to these questions. To support you further in this, you should use all the resources available to you on the module, including:

Lecture Videos and Slides; the online textbook CORE: The Economy; the peer-support Forum for Unit 4; the Feedback on In-Class Questions for Unit 4; the FAQs resource. All of these resources are clearly linked on the module Moodle page.

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