

DECISION THEORY: HOMEWORK # 5

1. In the Anscombe and Aumann model of Chapter 7 of Kreps, consider the following dominance axiom:

Axiom 7.17 *Suppose that $h, h' \in H$ are such that $h_s \succeq h'_s$ for every $s \in S$, then $h \succeq h'$.*

Show that it can be substituted for axiom 7.16 in Theorem 7.17. That is, under axioms 7.1, 7.2, 7.3 and 7.14, axioms 7.16 and 7.17 are equivalent.

2. Solve problem 6 of Chapter 7 in Kreps.
3. Solve problem 5 in Chapter 8 in Kreps.
4. (WARNING: ONLY FOR THE MASOCHIST!!!) Solve problem 8 in Chapter 8 of Kreps.