

## Instructions

Upload this homework into the homework vaults in the IS no later than on 26/4 at 23.59. The homework submitted after this date can be evaluated only if you have an excuse in the IS for at least 3 working days in the week between the given lectures and seminars (from these five: Wed, Thu, Fri, Mon, Tue) and the teacher has given you an alternative date when you submit your homework. We expect that you write the homework on your own. Should your answers resemble with the answers in someone else's homework, we might deduct points from your score. We appreciate the effort and thorough thinking (whether your answers make sense, whether you have supported all your claims by careful argumentation, whether your answers are informed by data). Try to formulate ideas as concisely as possible. Certainly do not add any "dummy text" just in order to get closer to the maximum extent. The final document can be inserted into the System in all standard formats (doc, docx, odt, pdf, ...). Print your homework and take it to the seminar on 27/4. Title the document Homework 5 (your name and surname will be added to the name of the document automatically). Put your name and surname on the top of your homework.

## Task 1 (8 points, maximum 1000 words)

Read the paper by Normann (2011) (see the study materials). Answer the following questions:

1. What is the aim of the paper?
2. What is the problem with the OSS (1990) model? How do they reply to the critique?
3. Explain carefully the difference between foreclosure in narrow and broad sense.
4. How many and what treatments are used in the experiment? Suppose that the narrow definition of foreclosure is valid. What results would you expect in these treatments?
5. Why does the author have different number of sessions with random matching and fixed matching?
6. Interpret the results in the table 4. Does it fit to a broadly or narrowly defined foreclosure?
7. Explain what is the quantal response equilibrium (QRE)? How does it differ from Nash equilibrium?
8. What arguments does the author use in order to support the claim that the notion of QRE may explain experimental results?