Assessment 5
Questions and Solutions

7AM-9AM Test

Q1. [22 marks] Assume politicians care only about their own popularity. A TV channel invites two politicians of equal popularity to a live debate. They respond to the request at the same time. They are both not good debaters and if they both accept the debate each politician's career will be ruined. If only one of them accepts the debate, she will interview alone, and promote her agenda and earns some popularity. Rejecting the invitation has a popularity cost only if the other candidate has rejected as well.

a. [10 marks] Create a payoff matrix consistent with the story in the question. While the actual numbers are not important, they must match the story.

Solution: The politicians choose between Accept and Reject the request for the live debate.

Consider politician A's payoffs first. If they reject and B accepts, they stay at the same level of popularity captured by a number P (think $s, or popularity points or % favorable rating etc. basically a number that captures popularity). If A rejects and B rejects, there is a small popularity cost so say a payoff of P-10. If A accepts and B accepts as well, A's popularity takes a nose-dive and A gets a payoff of P-100. On the other hand, if A accepts and B rejects, A gains popularity resulting in a payoff of P+10. Note the numbers are not important, just the pattern of higher or lower.