Homework 1
(Political Economy: Spring 2018)

1. Consider the closed rule Baron-Ferejohn bargaining model where $u(x_i) = x_i^\alpha$, $\alpha > 0$ (with random recognition rule). Solve the model with this modification in utility function and show how proposer's share changes according to the change in α.

2. In the Baron-Ferejohn model with asymmetric proposal power (discussed in class) with $N = 3$ and $m = 1$, suppose that $(1-\delta)/(3-2\delta) < q < 1/3$. Compute a mixed strategy equilibrium where $v_A = v_B$ and provide interpretation for the resulting expressions of continuation value, proposer share and proposal power.