Tasks for Lecture 5

BCPM 0058: Economics

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Tasks for the lecture

1. Please *watch* the **Lecture 5 video** posted on the moodle page. Make notes while you watch the video.
2. Once you have watched the lecture video, *read* the **essential reading** (see below) for the lecture.
3. There is a *suggested activity* given below that will help you to assimilate the knowledge you have acquired in the lecture and the readings and give you an opportunity to reflect on it.

Essential Reading

The essential reading for this lecture is given below.

Technology, Population, and Growth

Core Econ (2017). The Economy. *Chapter 5: Property Rights and Power.*

Chapter 5: Property Rights and Power can be accessed at the following links:

online version | pdf version

Suggested Activity for the lecture

Stag hunting game Following is a quote from Jean-Jacques Rousseau's seminal text *Discourse on the Origin and Basis of Inequality Among Men.*

> "*If a group of hunters set out to take (hunt) a stag, they are fully aware that they would all have to remain faithfully at their post in order to succeed; but if a hare happens to pass near one of them, there can be no doubt that he pursued it without qualm, and that once he had caught his prey, he cared very little whether or not he had made his companions miss theirs.*"

Figure 1: Stag hunting game

The hunters are the players. Each player has to choose between strategies, i.e., hunt from a stag or hunt for a hare. This is a simple example of a game where only pair of hunters working together can catch a stag, but

each hunter on her own can catch a hare. A stag is four times more valuable to a hunter as compared to a hare. If the hunters are able to catch a stag, they share it equally. The payoff from their choices is given in the table above.

Exercise Answer the following set of question based on the Stag hunting game described above.

1. Write down all the Pareto efficient outcomes in the Stag hunting game.
2. Write down the best response for Hunter 1 and Hunter 2.
3. Find the equilibrium of the Stag hunting game.

   Hint: Think of equilibrium as a situation from which no one hunter has an incentive to deviate on her own, i.e., change the strategy on her own while the other hunter is continues to follow her strategy unchanged.
4. Is the equilibrium of the Stag hunting game Pareto efficient?
5. Can you think of a way to ensure that both hunters always hunt stag?

   Hint: Use the insight you gleaned from reading about Elinor Ostrom's work in Chapter 4.