1. Kreps’ intuitive criterion rejects a sequential equilibrium \((\mu, \pi)\) if \(\exists\) an unsent message \(m' \in M\) and a subset of types \(J \subset T\) such that

\[
\begin{align*}
(1) & \quad \forall t \in J, \forall a \in BR(T,m'), U^*(t) > U(t,m',a), \text{ and} \\
(2) & \quad \exists t' \in T-J \text{ such that } \forall a \in BR(T\sim J,m'), U^*(t') < U(t',m',a).
\end{align*}
\]

If \(J = \emptyset\) then (1) is trivially satisfied, and \(T-J = T\) in (2). But the assumption that \((\mu, \pi)\) is a sequential equilibrium implies that (2) cannot hold when \(T-J = T\). More specifically, \((\mu, \pi)\) includes a belief \(\mu(t|m')\) and an action \(a(m')\) (which must be a best response to \(\mu(t|m')\), by sequential rationality). If it is equilibrium behavior for \(t'\) not to send \(m'\), then it must be that \(U^*(t') \geq U_S(t',m',a(m'))\), so (2) fails. Therefore, if \(J(m'|\pi) = \emptyset\) for each unsent message \(m' \in M\), then Kreps accepts the equilibrium \((\mu, \pi)\).

2. (a)

\[
\begin{array}{c|c|c|c|c|c}
 & u & l & t & r & u \\
\hline
1, 2 & & & & & 0, 1 \\
2, 0 & d & & & & 3, 0 \\
0, 0 & & & & & 1, 0 \\
3, 1 & d & & & & 2, 2 \\
\end{array}
\]

\(m' = l; J(m'|\pi) = \{t\}\), so \(T-J = \{t'\}\); \(BR(\{t'\}, l) = d\);

\(U_S(t', l, d) = 3 > U^*(t') = 2\). Therefore, Kreps rejects the equilibrium.
m' = r; J = ∅. Therefore, Kreps accepts. Note that Cho & Farrell also accept the equilibrium.

(c)

m' = r; J(m'|π) = {t}, so T~J = {t',t"}. But neither t' nor t" satisfies (2) above, so Kreps accepts. Since t' and t" together satisfy the extended criterion (2'), however, Cho and Cho-Kreps reject.