



Figure 4.2 Representation of a cascade. In each period, the middle of the vertical segment is the public belief; the top and the bottom of the segment are the beliefs of an optimist (with a private signal $s = 1$) and of a pessimist (with signal $s = 0$). The private signals are $s_1 = 0$, $s_2 = 1$, $s_3 = 0$, $s_4 = 1$, $s_5 = 1$.