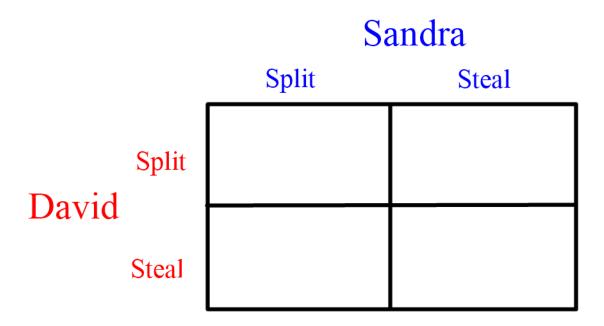
Pot: \$90,000
Split
Split
Split
Steal
Steal

Suppose that David values fairness first and then money and is benevolent towards Sandra:

David's preferences: David's utility: {1,2,3,4}

best

worst



What if Sandra is selfish and greedy?

Utility: {1,2,3}

best

worst

Split Steal Split Steal Split Steal Split Steal

Read Definitions 2.2.1 and 2.2.2 in textbook (Chapter 2)

Player 2 E F GPlayer 1 C 4 ... 4 ... 1 ... C 4 ... 4 ... 1 ... C 4 ... 4 ... 1 ...

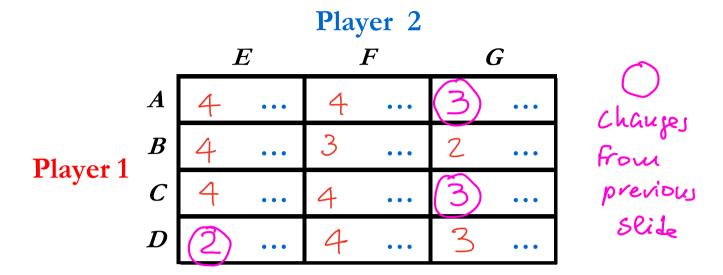
FOR PLAYER 1

Strict dominance:

Wear dominance:

Equivalence:

Read Definitions 2.2.1 and 2.2.2 in textbook (Chapter 2)



A strategy is **strictly** dominant if it strictly dominates every other strategy.

A strategy x, which is not strictly dominant, is **weakly** dominant if, when compared to any other strategy y, either x dominates (weakly or strictly) y or x is equivalent to y

Second-price auction:

the highest bidder wins and pays the second highest bid

Bidder 2 3 5 6 7 1 4 \$12 \$20 \$22 \$18 \$15 Bid \$10 \$8

5 6 **Bidder** 1 2 3 4 7 \$10 \$12 \$22 \$20 \$22 \$18 \$22 Bid

In case of ties the rules have to specify how the winner is picked (first to submit his bid? first in alphabetical order? coin toss? ...)

The case of TWO bidders:

In case of ties Player 1 is the winner.

Show only the payoffs of Player 1

OUTCOME:

		Player 2						
	_	\$50	\$100	\$15 0	\$200	\$250		
	\$50							
Player	\$100							
1	\$15 0							
	\$200							
	\$25 0							

PLAYER 1'S PAYOFFS:

In case of ties Player 1 is the winner.

Show only the payoffs of Player 1

		Player 2							
		\$50	\$100	\$150	\$200	\$250			
	\$50								
Player	\$100								
1	\$150								
(value \$150)	\$200								
	\$250								