Index

act, 64 algorithm Chapter 2, 49 Chapter 3, 105 Chapter 4, 151 Chapter 5, 217 Chapter 6, 270 Chapter 7, 316 Chapter 8, 389 Chapter 9, 486 assessment, 455 assumption assuming a set of choices, 269 assuming the opponent's rationality, 302, 304 common assumption of rationality, 311 k-fold assumption of rationality, 310 weakly assuming the opponent's rationality, 338 auction first-price, 295, 334 second-price, 235 backward dominance procedure, 389 backward induction, 63 procedure, 416, 463 strategy, 417 backward robust solution, 459 backwards order of elimination, 404 backwards rationalizability procedure, 458 Bayesian updating, 365, 425 belief, 1 about the opponents' choices, 14, 25-27 beliefs diagram, 16 conditional, 359, 363 conditional belief vector, 365 conditionally independent, 129 correct, 161 correlated, 27, 128 extended beliefs diagram, 82 first-order belief, 70, 80 hierarchy, 70 simple, 137, 145 in the opponents' future rationality, 370, 374 in the opponents' rationality, 38, 44, 93 independent, 127, 128

initial belief in the opponents' rationality, 543 k-fold belief in rationality, 94 k-th order belief, 71 Kreps-Wilson, 455 lexicographic, 188, 191 cautious, 192 expected utility, 194 optimal choice, 195 p-belief, 245 point belief, 130 primary, 188 primary belief in opponent's rationality, 202 probabilistic, 18 probability 1 belief, 130 projective, 166 revision, 349 second-order belief, 71, 80 secondary, 188 strong belief in the opponents' rationality, 470, 472 third-order belief, 71, 81 best rationalization principle, 548 best-response correspondence, 183 best-response set, 123, 130 burning-money game, 551 cautious lexicographic belief, 192 reasoning, 189 type, 199 choice admissible, 244 irrational, 15 opponents' choice-combination, 26 optimal, 29 under lexicographic belief, 195 optimal choice for a type, 91 permissible, 244 randomized, 30, 34 rational, 15, 29 rational choice under belief in the opponents' rationality, 45 set of choices, 26

560 Index

choice (cont.) strictly dominated, 15, 34 weakly dominated, 214 common assumption of rationality, 311 common belief in future rationality, 376 in rationality, 71, 94 with simple belief hierarchy, 149, 151 common certainty of rationality at the beginning of the game, 465 common full belief in caution, 203 in caution and primary belief in rationality, 204 in caution and respect of preferences, 254 in primary belief in rationality, 203 in respect of preferences, 253 common initial belief in rationality, 465 common knowledge, 126 common prior, 129 common strong belief in rationality, 478 competition between firms, 63 consistent pair of choice sets, 248 correlated equilibrium, 129 correspondence, 167 best-response, 183 CURB set, 131 decision maker under uncertainty, 65 decision problem for an information set, 387 Dekel-Fudenberg procedure, 217, 246 elaboration of a game, 246 elimination iterated elimination of strictly dominated choices, 105 iterated elimination of weakly dominated choices, 246, 316 order, 112, 220, 321, 396, 501 two-fold elimination of strictly dominated choices, 49 epistemic game theory, 2 epistemic model, 87, 90 canonical, 132 complete, 132, 339 continuous, 132, 341 for dynamic games, 367 complete, 456 terminal, 456 terminal, 131 universal 132 with lexicographic beliefs, 197 existence common assumption of rationality, 320 common belief in future rationality, 382 common belief in rationality, 102 with simple belief hierarchy, 150 common full belief in caution and primary belief in rationality, 213 common full belief in caution and respect of preferences, 260

common strong belief in rationality, 487 Nash equilibrium, 149 explicable equilibrium, 550 extensive form rationalizability, 546 fixed point, 167 forward induction equilibrium, 549 fully permissible choice sets, 248 game, 13 anti-coordination, 67 burning-money, 551 dynamic, 13, 347 multi-stage, 454 of chess, 63 recreational, 63 reduced, 47, 49 repeated, 453 static, 13, 28 strictly competitive, 63 with incomplete information, 8, 124 with observed past choices, 403 with perfect information, 410 generic, 464 zero-sum, 62 game theory, 1 graphical method Chapter 2, 46 Chapter 3, 98 history non-terminal, 350, 355 terminal, 351, 355 infinitely more likely, 191 information set, 354, 356 following another information set, 373 simultaneous information sets, 373 weakly following another information set, 374 intuitive criterion, 549 iterated addition of preference restrictions, 270 iterated conditional dominance procedure, 486 Kakutani's fixed point theorem, 168 knowledge, 66 Kripke structure, 126 likelihood ordering, 269 lottery, 64 Nash choice, 151 Nash equilibrium, 149 sufficient conditions more than two players, 166 two-player games, 165 one-deviation property, 466

one-person perspective, 5, 178 opponents, 26

CAMBRIDGE

Index

561

optimality principle Chapter 3, 113 Chapter 5, 227 Chapter 7, 322 Chapter 8, 435 Chapter 9, 518 order of addition, 277 order of elimination, 112, 220, 321, 396, 501 perfect equilibrium, 240, 246 perfect recall, 355, 357 perfect tau-theory, 245 permissibility, 244 full, 248 permissible set, 239 perturbed game, 246 plan of action, 455 player, 1, 13 possibility set, 133 preference restriction, 268 probability conditional, 243 distribution, 26 non-standard, 243 objective, 64 subjective, 64 proper equilibrium, 297, 299 proper rationalizability, 298 rationality assuming the opponent's rationality, 302, 304 Bayesian rational player, 65 belief in the opponents' future rationality, 370, 374 belief in the opponents' rationality, 38, 44 common assumption of rationality, 311 common belief in future rationality, 376 common belief in rationality, 71, 94 common certainty of rationality at the beginning of the game, 465 common initial belief in rationality, 465 common strong belief in rationality, 478 initial belief in the opponents' rationality, 543 irrational choice, 15 k-fold assumption of rationality, 310 k-fold belief in rationality, 94 ordering, 504, 506 self-confirming, 508 primary belief in the opponent's rationality, 202

rational choice, 15 with lexicographic belief, 201 strong belief in the opponents' rationality, 470, 472 weakly assuming the opponent's rationality, 338 rationalizability, 127 cautious, 247 correlated, 130 extensive form, 546 lexicographic, 342 perfect, 247 point-rationalizability, 130 sequential, 462 weak perfect, 245 respecting a preference restriction, 269 respecting the opponent's preferences, 252 self-admissible pair of choice sets, 337 self-proper set, 296 sequential equilibrium, 461 justifiable, 549 sequential rationality, 461 weak, 465, 550 sequential rationalizability, 462 stable sets, 548 stable sets of beliefs, 549 state of the world, 64, 125 strategy, 64, 351, 358 behavioral, 455 maximin 63 mixed, 63, 65 optimal, 363 subgame perfect equilibrium, 459 type, 85, 90 cautious, 199 unawareness, 9 utility, 17 expected, 18, 29 expected utility theory, 64 function, 28 value of a zero-sum game, 63 weak sequential rationality, 465, 550