

Contents

Preface	V
Contributors	IX
Introduction to the Series "Game Equilibrium Models"	1
Introduction to Volume II: "Methods, Morals and Markets"	3
<i>Stephen H. Schanuel, Leo K. Simon, William R. Zame</i>	
THE ALGEBRAIC GEOMETRY OF GAMES AND THE TRACING PROCEDURE	9
1. Introduction	9
2. Semi-Algebraic Sets	12
3. Equilibrium	22
4. The Tracing Procedure	27
5. Equilibrium Selection	41
<i>Dilip Abreu and David Pearce</i>	
A PERSPECTIVE ON RENEGOTIATION IN REPEATED GAMES	44
Cooperation and Self-Enforcing Agreements	45
Renegotiation and Credible Deviations	45
Stable Sets of Credible Deviations	47
Finitely Repeated Games	51
Conclusion	53
<i>Werner Güth, Wolfgang Leininger and Gunter Stephan</i>	
ON SUPERGAMES AND FOLK THEOREMS: A CONCEPTUAL DISCUSSION	56
1. Introduction	56
2. Folk Theorems: a Non-Technical Discussion	57
3. Folk Theorems in Game Theory	58
4. Consistency and Folk Theorems	63
5. Conclusions	69
<i>Joel Sobel</i>	
IT'S NOT WHAT YOU KNOW, IT'S WHO YOU PLAY	71
I. Introcution	71
II. Zero-Sum Games	72
III. Examples	77
IV. A Coordination Game	79
<i>Ken Binmore</i>	
GAME THEORY AND THE SOCIAL CONTRACT	85
1. Introduction	85
2. Equilibria	92
3. The Original Position	99
4. Cooperative Bargaining Solutions	135
5. Who is a Citizen?	141
6. Conclusion	146
Appendix	156

Akira Okada and Hartmut Kliemt

ANARCHY AND AGREEMENT - A GAME THEORETIC ANALYSIS OF SOME ASPECTS OF CONTRACTARIANISM	164
I. Introduction	164
II. The Game Theoretic Model	165
III. A Simple Example of a Three-Person Game	168
IV. On Generalizing the Analysis and its Results	179
V. Some Interpretations and Consequences	180

Franz Weissing and Elinor Ostrom

IRRIGATION INSTITUTIONS AND THE GAMES IRRIGATORS PLAY: RULE ENFORCEMENT WITHOUT GUARDS	188
1. Introduction	189
2. The Nature of the Problem	190
3. The Application of Game-Theoretical Concepts in a Positive Analysis	197
4. Game-Theoretical Analysis of Irrigation Models Without Guards	207
5. Conclusions and Implications	237

Eric van Damme and Werner Güth

EQUILIBRIUM SELECTION IN THE SPENCE SIGNALING GAME	263
1. Introduction	263
2. Model and Equilibria	265
3. The Uniformly Perturbed Game	268
4. Elimination of Inferior Strategies	269
5. Uniformly Perfect Equilibria	271
6. Formations and Primitive Equilibrium Outcomes	274
7. Risk Dominance	277
8. Conclusion	283
Appendix A: Dominance Solvability and the HS Solution	287

Louis Phelps and Ronald M. Harstad

INTERACTION BETWEEN RESOURCE EXTRACTION AND FUTURES MARKETS: A GAME-THEORETIC ANALYSIS	289
0. Introduction	289
1. The Extraction Game	291
2. The Futures Game	294
3. Obtaining a Unique Set of Contracts	304
4. A Concluding Perspective	305

Wulf Albers and Ronald M. Harstad

A FRAMING EFFECT OBSERVED IN A MARKET GAME	308
Introduction	308
1. Theoretical Predictions	310
2. The Experiment	314
3. Results	318
4. Indications	329

James W. Walker, Roy Gardner, and Elinor Ostrom

RENT DISSIPATION AND BALANCED DEVIATION DISEQUILIBRIUM IN COMMON POOL RESOURCES: EXPERIMENTAL EVIDENCE	337
I. Introduction	337
II. Experimental Environment	340
III. Design I - Experiments	342
IV. Design II - Zero Marginal Cost Experiments	350
V. Design III - Experiments with a Unique Nash Equilibrium	357
VI. Summary and Concluding Comments	364