## Contents

Preface	xi
Chapter 1. Introduction to Decision Theory	1
§1.1. Preliminaries	1
§1.2. Ordinal Utility	3
§1.3. Linear Utility	6
Chapter 2. Strategic Games	13
§2.1. Introduction to Strategic Games	13
§2.2. Nash Equilibrium in Strategic Games	18
§2.3. Two-Player Zero-Sum Games	24
§2.4. Mixed Strategies in Finite Games	28
§2.5. Bimatrix Games	31
§2.6. Matrix Games	37
§2.7. Algorithms for Matrix Games	43
§2.8. Matrix Games and Linear Programming	52
§2.9. Refinements of Nash Equilibrium in Finite Games	59
§2.10. A Basic Model of Knowledge	72
§2.11. Correlated Equilibrium	75
§2.12. On the Epistemic Foundations of the Different Solution Concepts for Strategic Games	80
	vii

	§2.13.	Fixed-Point Theorems	87
	§ <b>2</b> .14.	On Extreme Points and Convex Sets: Krein-Milman Theorem	91
	Exerci	ises of Chapter 2	94
C	hapter	3. Extensive Games	99
	§ <b>3</b> .1.	Introduction to Extensive Games	99
	§ <b>3.2</b> .	Strategies in Extensive Games: Mixed Strategies vs. Behavior	
		Strategies	104
	§ <b>3.3</b> .	Nash Equilibrium in Extensive Games	110
	§ <b>3.4</b> .	Subgame Perfect Equilibrium	117
	§ <b>3.5</b> .	Sequential Equilibrium	124
	§ <b>3.6</b> .	Further Refinements	132
	§ <b>3.7</b> .	Repeated Games	146
	Exerci	ses of Chapter 3	159
C	hapter	4. Games with Incomplete Information	163
	§ <b>4</b> .1.	Incomplete Information: Introduction and Modeling	163
	§ <b>4.2</b> .	Bayesian Games and Bayesian Nash Equilibrium	165
	§ <b>4</b> .3.	The Chain Store Paradox in Perspective	171
	§ <b>4.4</b> .	A First Application of Bayesian Games: Auctions	178
	§ <b>4</b> .5.	A Second Application of Bayesian Games: Mechanism Design	
		and the Revelation Principle	186
	§ <b>4.6</b> .	Extensive Games with Incomplete Information: Multistage	
		Games and Perfect Bayesian Equilibrium	190
	§ <b>4.7</b> .	An Outline of Harsanyi's Approach	197
	Exerci	ses of Chapter 4	200
C	hapter	5. Cooperative Games	203
	§5.1.	Introduction to Cooperative Games	203
	§5.2.	Nontransferable Utility Games	204
	§5.3.	Bargaining	206
	§ <b>5.4</b> .	Transferable Utility Games	214
	§5.5.	The Core and Related Concepts	217
	§ <b>5.6</b> .	The Shapley Value	226

§5.7.	The Nucleolus	231
§ <b>5.8</b> .	Convex Games	235
§5.9.	Noncooperative Models in Cooperative Game Theory: Implementation Theory	238
§5.10.	Airport Problems and Airport Games	256
§5.11.	Bankruptcy Problems and Bankruptcy Games	261
§5.12.	Voting Problems and Voting Games: Power Indices	270
§5.13.	Cooperation in Operations Research Models	275
Exerci	ses of Chapter 5	289
Bibliography		
Notations		
Index of Authors		
Index of Solution Concepts		
Subject Index		