Contents

	Tea	XV			
	Intr	Introduction			
	0.1	What Is Game Theory About? 3			
	0.2	Where Is Game Theory Coming From?	11 13		
	0.3	Where Is Game Theory Going To?			
	0.4	What Can Game Theory Do for Us?	14		
	0.5	Conclusion 21			
1	Win	ning Out	23		
	1.1	Introduction 25			
	1.2	The Rules of the Game 25			
	1.3	Strategies 30			
	1.4	Zermelo's Algorithm 32			
	1.5	Nim 35			
	1.6	Hex 37			
	1.7	Chess 41			
	1.8	Rational Play? 46			
	1.9	Conflict and Cooperation 51			
	1.10	Exercises 57			
2	Tak	ing Chances	65		
	2.1	Introduction 67			
	2.2	Lotteries 72			
	2.3	Game Values 75			
	2.4	Duel 76			
	2.5	Parcheesi 81			
	2.6	Exercises 86			

3	Acc	counting for Tastes	93
	3.1	Rational Preferences 95	
	3.2	Utility Functions 96	
	3.3	Russian Roulette 99	
	3.4	Making Risky Choices 104	
	3.5	Utility Scales 112	
	3.6	The Noble Savage 115	
	3.7	Exercises 120	
4	Ge	tting Paid Off	127
	4.1	Payoffs 129	
	4.2	Bimatrix Games 133	
	4.3	Matrices 135	
	4.4	Vectors 138	
	4.5	Hyperplanes 142	
	4.6	Domination 146	
	4.7	Russian Roulette Again 153	
	4.8	Exercises 159	
5	Ma	king Deals	167
	5.1	Introduction 169	
	5.2	Convexity 169	
	5.3	Cooperative Payoff Regions 174	
	5.4	The Bargaining Set 176	
	5.5	Nash Bargaining Solutions 180	
	5.6	Dividing the Dollar 191	
	5.7	Cooperative and Noncooperative Games	195
	5.8	Bargaining Models 196	
	5.9	Exercises 212	
6	Mix	king Things Up	217
	6.1	Introduction 219	
		Minimax and Maximin 219	
		Safety First 224	
	6.4	Mixed Strategies 227	

Contents xiii

6.5	Zero-Sum Games 237	
6.6	Separating Hyperplanes 245	
6.7	Battleships 254	
6.8	The Inspection Game 257	
6.9	Nash Threat Game 261	
6.10	Exercises 265	
Kee	ping Your Balance	<i>275</i>
7.1	Reaction Curves 277	
7.2	Oligopoly and Perfect Competition 286	
7.3	Equilibrium Selection 295	
7.4	Nash Demand Game 299	
7.5	Pre-play Negotiation 304	
7.6	Pre-play Randomization 316	
7.7	When Do Nash Equilibria Exist? 319	
7.8	Hexing Brouwer 323	
7.9	Exercises 329	
_		
Rep	eating Yourself	<i>345</i>
8.1	Reciprocity 347	
8.2	Repeating a Zero-Sum Game 348	
8.3	Repeating the Prisoners' Dilemma 353	
8.4	Infinite Repetitions 360	
8.5	Social Contract 379	
8.6	Exercises 382	
Adju	usting to Circumstances	391
9.1	Spontaneous Order 393	
9.2	Bounded Rationality 396	
9.3	Economic Libration 398	
9.4	Social Libration 412	
9.5	Biological Libration 414	
9.6	Evolutionary Stability 422	
9.7	The Evolution of Cooperation 429	
9.8	Exercises 434	

xiv

10	Know	wing Your Place	443
	10.1	Bob's Your Uncle 445	
	10.2	Knowledge 446	
	10.3	Possibility 449	
	10.4	Information Sets 454	
	10.5	Bayesian Updating 462	
	10.6	Common Knowledge 467	
	10.7	Agreeing to Disagree? 472	
	10.8	Common Knowledge in Game Theory	478
	10.9	Exercises 488	
11	Kno	wing Who to Believe	499
	11.1	Complete and Incomplete Information	501
	11.2	Typecasting 503	
	11.3	Bayesian Equilibrium 510	
	11.4	Continuous Random Variables 511	
	11.5	Duopoly with Incomplete Information	515
	11.6	Purification 519	
	11.7	Auctions and Mechanism Design 523	
	11.8	Assessment Equilibrium 536	
	11.9	More Agreeing to Disagree 546	
	11.10	Exercises 549	
12	Bluff	fing It Out	<i>571</i>
	12.1	Poker 573	
	12.2	Conditional Probability Densities 577	
	12.3	Borel's Poker Model 579	
	12.4	Von Neumann's Poker Model 585	
	12.5	Why Bluff? 591	
	12.6	Nash and Shapley's Poker Model 593	
	12.7	Conclusion 602	
	Answe	ers A1	
	Index	A34	