

Review Notes – Imperfect Competition (Game Theory)

- Definitions
 - Game theory
 - Players, strategies, payoffs, payoff matrix
 - Cooperative solution
 - Non-cooperative solution
 - Cooperative surplus
 - Threat points
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- Examples of different types of games
 - For the games in general and each of these different types specifically you should know
 - How to set up the payoff matrix.
 - What will the equilibrium of the game be and why (What is the Nash equilibrium?)
 - Does a cooperative surplus exist – if so is it achieved – why or why not?
 - Dominant strategy game
 - Non-Dominant strategy game
 - Prisoner's Dilemma
 - How can the players deal with the prisoner's dilemma to increase the chances of a good outcome?
 - Prisoner's Dilemma as applied to firms
 - Repeated Games
 - How does repeating a game change the results?
 - Tit for tat strategy
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