

Collegio Carlo Alberto

Game Theory

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Outline

The course will provide a mathematical treatment of choice under uncertainty and game theory. We will develop and solve formal models of strategic interactions among economic agents. We will consider several economic applications, such as imperfect competition, auctions, public goods and bargaining.

I. Introduction.

II. Decision Theory.

Dominance, beliefs and “Never Weak Best Response” strategies.

III. Strategic Form Games

Dominance, Nash equilibrium, mixed strategies.

IV. Extensive Form Games

Corresponding strategic forms, behavioral strategies, backwards induction, subgame perfect equilibrium.

V. Games of Incomplete Information

Normal-form representation of static games of incomplete information, Bayesian Nash equilibrium, perfect Bayesian equilibrium.

VI. Repeated Games

Folk theorems.

VII. Mechanism Design

Design of the optimal auction, the revenue equivalence theorem.

Course Textbooks

- Martin J. Osborne and Ariel Rubinstein: *An Course in Game Theory*, The MIT Press.
- Martin J. Osborne: *An Introduction to Game Theory*, Oxford University Press.
- Roger B. Myerson: *Game Theory*, Harvard University Press.
- Macho Stadler and Perez Castillo: *An Introduction to the Economics of Information*, Oxford University Press, 2001, 2nd edition.
- Mas-Collel, Whinston and Green: *Microeconomic Theory*, Oxford University Press.