

MPhil

Semester-II

Paper: Eco-121

Advanced Micro Economics: Theory and Applications

Group-B

Lecture-II

NORMAL FORM GAMES AND EXTENSIVE FORM GAMES

INTERPRETATION OF STRATEGIC GAME

A common interpretation of the strategic game is that it is a model of an event that occurs only once; each player knows the details of the game and the fact that all players are “rational”, and that players choose their actions simultaneously and independently. Under this interpretation each player is unaware, when choosing his action of the choices being made by the other players; there is no information (except the primitives of the model) on which a player can base his expectation of the other players’ behaviour.

Another interpretation is that a player can form his expectation of the other players’ behaviour on the basis of information about the way that the game or a similar game was played in the past. A sequence of plays of the game can be modelled by a strategic only if there are no strategic links between the plays. That is, an individual who plays the game many times must be concerned only with his instantaneous payoff and ignore the effects of his current action on the other players’ future behaviour. In this interpretation it is thus appropriate to model a situation as a strategic game only in the absence of an intertemporal strategic link between occurrences of the interaction.

When all referring of the actions of players in a strategic game as “simultaneous” we do not necessarily mean that these actions are taken at the same point of time.

Ref: Game Theory: Drew Fudenberg and Jean Tirole

