Pot: $90,000

Sandra

	Split	Steal
Split		
Steal		

David

Suppose that David values fairness first and then money and is benevolent towards Sandra:

David's preferences:

best

worst

David's utility: {1,2,3,4}

Sandra

	Split	Steal
David **Split**		
Steal		

**What if Sandra is selfish
and greedy?**   **Utility:**   {1,2,3}

best

worst

Sandra

	Split	Steal
Split		
Steal		

David

Player 2

	E	F	G
A	4 ...	4 ...	1 ...
B	4 ...	3 ...	2 ...
C	4 ...	4 ...	1 ...
D	5 ...	4 ...	3 ...

Player 1

FOR PLAYER 1

Strict dominance :

Weak dominance :

Equivalence :

Player 2

	E	F	G
A	4 ...	4 ...	③ ...
B	4 ...	3 ...	2 ...
C	4 ...	4 ...	③ ...
D	② ...	4 ...	3 ...

Player 1

Changes from previous slide

A strategy is strictly dominant if it strictly dominates every other strategy.

A strategy x, which is not strictly dominant, is weakly dominant if, when compared to any other strategy y, either x dominates (weakly or strictly) y or x is equivalent to y

Second-price auction:

the highest bidder wins and pays the second highest bid

Bidder	1	2	3	4	5	6	7
Bid	$10	$12	$8	$20	$22	$18	$15

Bidder	1	2	3	4	5	6	7
Bid	$10	$12	$22	$20	$22	$18	$22

In case of ties the rules have to specify how the winner is picked (first to submit his bid? first in alphabetical order? coin toss? …)

The case of TWO bidders:

OUTCOME:

Player 2

	$50	$100	$150	$200	$250
$50					
$100					
$150					
$200					
$250					

Player 1

PLAYER 1'S PAYOFFS:

In case of ties Player 1 is the winner.

Show only the **payoffs of Player 1**

Player 2

	$50	$100	$150	$200	$250
$50					
$100					
$150					
$200					
$250					

Player 1

(value $150)