

# Game Theory (80-405/80-705)

Spring 2017

Tuesday/Thursday 1:30–2:50, WEH 5409

<http://www.andrew.cmu.edu/user/abjorn/Site/Teaching.html>

Instructor: Adam Bjorndahl

abjorn@andrew.cmu.edu

Office hours: Mon 2:00–3:30, BH 155D

Teaching Assistant: Mario Carneiro

mcarneir@andrew.cmu.edu

Office hours: Tue 11:30–12:30, DH 4302A

Teaching Assistant: Minchao Wu

minchaow@andrew.cmu.edu

Office hours: Fri 1:00–2:00, DH 4302E

**Course Description:** Game theory is the study of interactive decision-making: making choices in the context of other agents who are also making choices. Famous examples include the Prisoners Dilemma (pitting rational self-interest against the benefits of cooperation), and the Cournot duopoly (a basic model of market competition and supply-and-demand). Game theory has been applied to situations as diverse as traffic flow, auctions, the search and competition for scarce resources, and bargaining. This course will develop conceptual and technical facility with the mathematical tools used to model and analyze such situations. We will cover games in strategic and extensive form and games of perfect and imperfect information; we will also study solution concepts such as Nash equilibrium and rationalizability. Finally, throughout the course we will take the opportunity to actually play several of the games we study to help build intuitions and foster insights into the formal mathematical models we develop.

**Text:** *An Introduction to Game Theory* by Martin J. Osborne.

(Another good text, though it contains fewer examples and less discussion, is *A Course in Game Theory* by Martin J. Osborne and Ariel Rubinstein. It is accessible freely and legally here: <http://books.osborne.economics.utoronto.ca/>.)

**Course Objectives:** The primary objective of this course is to develop *mathematical competence* in game theory along with the ability to apply this competence in useful ways. More precisely, this means being able to:

- read and understand game-theoretic models in a variety of contexts;
- navigate the landscape of solution concepts and find equilibria in games;
- formalize intuitions and analyze problems using game-theoretic tools;
- probe and critically assess the underlying assumptions of standard game theory.

## Grade Distribution:

Problem sets	60%
Tests	30%
Quizzes	10%

**Course Outline:** Weekly topics are subject to change; the below should only be considered a rough guideline.

Date	Topic	Evaluation
1/17 1/19	introduction: traffic flow game · strategic games & solution concepts	–
1/24 1/26	guess 2/3 the average · strict dominance · Nash equilibrium	quiz 1 PS1
1/31 2/2	Nash equilibrium continued · Cournot duopoly	quiz 2 –
2/7 2/9	first/second-price auctions · weak dominance · mixed strategies	PS1 due; test 1 PS2
2/14 2/16	mixed strategy Nash equilibrium	quiz 3 –
2/21 2/23	existence of mixed Nash equilibria	PS2 due; test 2 PS3
2/28 3/2	correlated equilibrium	quiz 4 –
3/7 3/9	rationalizability · epistemic game theory	PS3 due; test 3 PS4
3/14 3/16	<i>no class (spring break)</i>	–
3/21 3/23	repeated games · extensive form games with perfect information	–
3/28 3/30	subgame perfection · backward induction · bargaining games	PS4 due; test 4 PS5
4/4 4/6	extensive form games with imperfect information	quiz 5 –
4/11 4/13	signalling games	PS5 due; test 5 PS6
4/18 4/20	overflow <i>no class (spring carnival)</i>	quiz 6 –
4/25 4/27	sequential equilibrium	PS6 due; test 6 PS7
5/2 5/4	selected topics	quiz 7 PS7 due

**Evaluation:** In addition to the take-home problem sets, every Tuesday (except the first week and the week after spring break) there is an in-class evaluation. If a problem set is due that day, the evaluation is a 20-25 minute test based on the material covered on the problem set. Otherwise, it is a 10-15 minute quiz based on the material covered in the previous two weeks. Students taking the graduate-level course (80-705) will have additional challenge questions to complete on the problem sets. There is no final exam.

**Course Policies:** Problem sets are due at the beginning of class. Late submissions will not be accepted unless arrangements have been made in advance. Collaboration is both allowed and encouraged; however, each student must write up their solutions independently, and clearly indicate for each question with whom they shared ideas. Failure to do so constitutes a violation of Carnegie Mellon's Policy on Academic Integrity, available here: <http://www.cmu.edu/policies/student-and-student-life/academic-integrity.html>.

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## Campus Resources

**Academic Development (AD):** Academic Development is the place to go for help with your academic work. They offer everything from Academic Counseling in study skills to Peer Tutoring. They also offer Supplemental Instruction and EXCEL Groups for select courses. Their services are designed to help both students who are having academic difficulties and those who just want to improve their performance. For more information, visit <http://www.cmu.edu/acadev>.

**Global Communications Center (GCC):** The GCC, on the ground floor of Hunt Library, provides one-on-one tutoring in written, oral, and visual communication for any student, at any level, in any discipline, at any stage of the composing process (<http://www.cmu.edu/gcc>).

**Intercultural Communications Center (ICC):** The Intercultural Communication Center helps nonnative English speakers (both international students and students who attended high school in the U.S.) develop the English language skills and cultural understanding needed to succeed at Carnegie Mellon. The center offers classes and noncredit workshops and seminars (for example, Presentation Basics, Communicating Data Effectively, and Language and Culture for Teaching (for international TAs)). For more information, visit <http://www.cmu.edu/icc>.

**Disability Services:** The Office of Disability Resources at Carnegie Mellon University has a continued mission to provide physical and programmatic campus access to all events and information within the Carnegie Mellon community. They work to ensure that qualified individuals receive reasonable accommodations as guaranteed by the Americans With Disabilities Act (ADA) and Section 504 of the Rehabilitation Act of 1973. For more information, visit: <https://www.cmu.edu/hr/eos/disability>

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**Take care of yourself.** Do your best to maintain a healthy lifestyle this semester by eating well, exercising, getting enough sleep, and taking some time to relax. You can't achieve your goals if you're sick from stress or burnt out.

All of us benefit from support during times of struggle. You are not alone. There are many helpful resources available on campus and an important part of the college experience is learning how to ask for help. Asking for support sooner rather than later is often helpful.

If you or anyone you know needs help, consider reaching out to a friend, faculty member, or family member you trust. Counseling and Psychological Services (CaPS) is also here to help: call 412-268-2922 and visit their website at <http://www.cmu.edu/counseling/>.