

ESS. in vector
 x is an ESS: $y \neq x$:
 1. $u(x, x) > u(y, x)$
 2. $u(x, x) = u(y, x)$ & $u(x, y) > u(y, y)$
 conversely if ① or ② holds then x is ESS.

Proof:

x is ESS:
 $u(x, x_\epsilon) > u(y, x_\epsilon)$
 $(1-\epsilon)u(x, x) + \epsilon u(x, y) > (1-\epsilon)u(y, x) + \epsilon u(y, y)$

if ① holds: for ϵ small enough condition holds. If ② holds then condition holds.

(if $u(x, x) < u(y, x)$ (not ①) then for small enough ϵ condition won't hold)

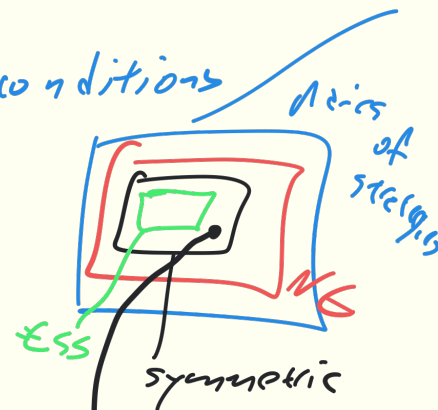
(if $u(x, x) = u(y, x)$ & $u(x, y) \leq u(y, y)$ (not ②) then condition doesn't hold.)

To find ESS

1. Write $(A, A^T) \in \mathbb{R}^{n \times n^2}$

2. Identify all symmetric N.E.

3. Test the conditions



4. 6

$$A = \begin{pmatrix} 1 & 3 \\ 4 & 1 \end{pmatrix}$$

~~$\{(1, 0), (0, 1)\}$~~
 ~~$\{(0, 1), (1, 0)\}$~~
 $\{(4, 6), (4, 6)\}$

$$u(x, x) > u(y, x)$$

$$u(x, x) = u(y, x)$$

$$u(x, y) > u(y, y)$$

?

let $y = (y_1, y_2)$
 $y_2 = 1 - y_1$

$$u(x, y) = y_1 + 1.8$$

$$u(y, y) = 5y_1 - 5y_1^2 + 1$$

$$u(x, y) - u(y, y) = -4y_1 + 5y_1^2 + .8$$

$$= 5(y_1 - .4)^2 > 0 \quad y \neq x$$

$(4, 6) \text{ is an ESS}$