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# *Game Theory and its Applications*

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# **Game Theory and its Applications in the Social and Biological Sciences**

Second Edition

*Andrew M. Colman*

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# Contents

Preface to the First Edition	ix
Preface to the Second Edition	xi
Part I Background	
1 Introduction	3
1.1 Intuitive background	3
1.1.1 Head On	4
1.1.2 Price War	5
1.1.3 Angelo and Isabella	5
1.2 Abstract models: basic terminology	6
1.3 Skill, chance, and strategy	10
1.4 Historical background	12
1.5 Summary	14
2 One-person games	15
2.1 Games against Nature	15
2.2 Certainty	15
2.3 Risk	17
2.4 Expected utility theory	19
2.5 Uncertainty	23
2.5.1 Insufficient reason	25
2.5.2 Maximax	26
2.5.3 Maximin	26
2.5.4 Minimax regret	28
2.6 Summary	32
3 Coordination games and the minimal social situation	33
3.1 Strategic collaboration	33
3.2 Coordination games	33
3.3 The minimal social situation	40
3.4 The multi-person minimal social situation	48
3.5 Summary	50

## Part II Theory and empirical evidence

4	Two-person zero-sum games	53
4.1	Strictly competitive games	53
4.2	Extensive and normal forms	54
4.3	Games with saddle points: Nash equilibria	57
4.4	Games without saddle points	62
4.5	Dominance and admissibility	69
4.6	Methods for finding solutions	71
4.7	Ordinal payoffs and incomplete information	78
4.8	Summary	83
5	Experiments with strictly competitive games	85
5.1	Ideas behind experimental games	85
5.2	Empirical research on non-saddle-point games	87
5.3	Empirical research on saddle-point games	91
5.4	Framing effects	94
5.5	Critique of experimental gaming	97
5.6	Summary	99
6	Two-person mixed-motive games: informal game theory	100
6.1	Mixed-motive games	100
6.2	Subgame perfect and trembling-hand equilibria	101
6.3	Classification of $2 \times 2$ mixed-motive games	107
6.4	Leader	108
6.5	Battle of the Sexes	110
6.6	Chicken	111
6.7	Prisoner's Dilemma	115
6.8	Comparison of archetypal $2 \times 2$ games	118
6.9	Theory of metagames	121
6.10	Two-person cooperative games: bargaining solutions	126
6.10.1	Maximin bargaining solution	129
6.10.2	Nash bargaining solution	130
6.10.3	Raiffa-Kalai-Smorodinsky bargaining solution	131
6.11	Summary	132
7	Experiments with Prisoner's Dilemma and related games	134
7.1	The experimental gaming literature	134
7.2	Strategic structure	135
7.3	Payoffs and incentives	139
7.4	Communication effects	141
7.5	Programmed strategies	142
7.6	Axelrod's computer tournaments	144
7.7	Sex differences and cross-cultural studies	149



7.8 Attribution effects	152
7.9 Framing effects	154
7.10 Summary	160
8 Multi-person cooperative games: coalition formation	161
8.1 <i>N</i> -person cooperative games	161
8.2 Characteristic function and imputation	163
8.3 Core and stable set	167
8.4 Harold Pinter's <i>The Caretaker</i>	169
8.5 Shapley value	172
8.6 Kernel, nucleolus, and least core	174
8.7 Coalition-predicting theories	177
8.7.1 Equal excess theory	177
8.7.2 Caplow's theory	179
8.7.3 Minimal winning coalition theory	179
8.7.4 Minimum resource theory	180
8.8 Experiments on coalition formation	180
8.9 Summary	185
9 Multi-person non-cooperative games and social dilemmas	186
9.1 <i>N</i> -person non-cooperative games: Nash equilibria	186
9.2 The Chain-store paradox and backward induction	187
9.3 Auction games and psychological traps	191
9.4 Social dilemmas: intuitive background	201
9.4.1 The "invisible hand" and voluntary wage restraint	202
9.4.2 Conservation of natural resources	203
9.4.3 The tragedy of the commons	204
9.5 Formalization of social dilemmas	205
9.6 Theory of compound games	209
9.7 Empirical research on social dilemmas	212
9.7.1 Group size effects	215
9.7.2 Communication effects	218
9.7.3 Individual differences and attribution effects	221
9.7.4 Payoff and incentive effects	223
9.7.5 Framing effects	224
9.8 Summary	226
Part III Applications	
10 Social choice and strategic voting	229
10.1 Background	229
10.2 Alternatives, voters, preferences	230
10.3 Voting procedures	233

10.4 Voting paradoxes	237
10.5 Arrow's impossibility theorem	244
10.6 Proportional representation: single transferable vote	246
10.7 Strategic (tactical) voting	250
10.8 Sophisticated voting	258
10.9 Empirical evidence of strategic voting	267
10.10 Summary	270
11 Theory of evolution: strategic aspects	272
11.1 Historical background	272
11.2 Strategic evolution and behavioural ecology	272
11.3 Animal conflicts and evolutionarily stable strategies	276
11.4 An improved multi-person game model	281
11.5 Empirical evidence	288
11.6 Summary	293
12 Game theory and philosophy	294
12.1 Relevance of game theory to practical problems	294
12.2 Rationality in games	297
12.2.1 Coordination games	297
12.2.2 Prisoner's Dilemma games	300
12.3 Newcomb's problem	304
12.4 Kant's categorical imperative	308
12.5 Plato, Hobbes, Rousseau: social contract theories	310
12.6 Evolution and stability of moral principles	314
12.7 Summary	316
<i>Appendix A simple proof of the minimax theorem</i>	317
A.1 Introductory remarks	317
A.2 Preliminary formalization	317
A.3 The minimax theorem	318
A.4 Proof	319
A.5 Remark	324
<i>References</i>	325
<i>Index</i>	363

## *Preface to the First Edition*

The primary aim of this book is to provide a critical survey of the essential ideas of game theory and the findings of experimental research on strategic interaction. In addition, I have reported some new experiments using lifelike simulations of familiar kinds of strategic interactions, and included discussions of recent applications of game theory to the study of voting, the theory of evolution, and moral philosophy. The time has (alas) long since passed when a single person could reasonably hope to be an expert on all branches of game theory or on all of its applications, and I have not attempted to achieve the impossible. But I thought it worthwhile, none the less, to aim for a fairly comprehensive coverage of important topics, with particular emphasis on those that seemed to be most relevant to naturally occurring strategic interactions.

Game theory and the experimental gaming tradition have grown up in relative isolation from each other. Game theorists, in general, remain largely oblivious of the empirical studies that have been inspired by the theory, and experimental investigators have tended to assume that the nuts and bolts of the theory do not concern them. Both parties are the losers from this divorce, and I have therefore tried to contribute towards a reconciliation by examining in detail, for the first time in a single volume, both sides of the story.

My goal has been to introduce and evaluate the fundamental theoretical ideas, empirical findings, and applications as clearly as possible without over-simplifying or side-stepping important difficulties. In so far as I have succeeded, this is the kind of book that I should have liked to have read when I first became interested in game theory and experimental games, or better still, before I developed any interest in these matters. Wherever possible, I have attributed seminal contributions to their originators and cited the original sources: ideas are almost invariably expressed more clearly and forcefully by their inventors or discoverers than by subsequent commentators. But I have also cited many useful review articles, which will be of assistance to readers wishing to pursue particular topics in depth.

The most important chapters [the numbering of chapters has been amended here to correspond with the second edition] for social psychologists and others whose primary interest is in such strategic phenomena as cooperation, competition, collective equilibria, self-defeating effects of

individual rationality, coalition formation, threats, altruism, spite, escalation, social entrapment, and so forth, are chapters 1, 2, 3, 6, 7, 8, and 9. Mathematically inclined readers should pay special attention to chapters 3, 4, 6, 8, 10, and to the Appendix in which the minimax theorem is rigorously proved. The chapters most relevant to sociology, economics, and politics are chapters 1, 2, 3, 6, 8, 9, and 10. Biological applications are discussed in chapter 11, but chapters 1, 2, 6, 7, and 9 provide a necessary background. Philosophical applications are dealt with primarily in chapter 12, to which chapters 1, 2, 3, 6, 9, and 11 provide the necessary background. Most of the translations from original French and German sources in chapter 12 and elsewhere are my own.

I am indebted to a number of people who contributed to this book in various indirect ways. In particular, I am grateful to Michael Argyle, Alan Baker, Barbara Barrett, Dorothy Brydges, Roy Davies, Julia Gibbs, Gabriele Griffin, John Lazarus, Nicholas Measor, Richard Niemi, Ian Pountney, Albert W. Tucker, Diane Williams, Bill Williamson, and the Research Board of the University of Leicester. I should be delighted to receive comments from readers, indicating their reactions to the final product.

Andrew M. Colman

## *Preface to the Second Edition*

The first edition of this book was entitled *Game Theory and Experimental Games: The Study of Strategic Interaction* and was published by Pergamon Press in 1982. It aimed to bridge the gap between game theory and its applications by providing an introduction to the theory and a reasonably comprehensive survey of some of its major applications and associated experimental research. Its more specific objectives were to explain the fundamental ideas of mathematical game theory from first principles and to provide an introductory survey of experimental games and other applications of the theory in social psychology, decision theory, evolutionary biology, economics, politics, sociology, operational research, and philosophy.

The first edition was favourably received and generously reviewed on both sides of the Atlantic and adopted as a text for a number of specialist courses. Demand for the book, though modest, remained remarkably steady for many years, but theoretical developments and new empirical findings accumulated over the years, making the need for a revision of the original text increasingly difficult to ignore. This second edition is so radically revised as to be hardly the same book, and I believe it to be a significant improvement on the first. The principal changes that I have introduced are as follows. I have modified the title, at the suggestion of the publisher, to indicate the scope of the book more accurately. I have corrected the errors and plugged the gaps that have been pointed out to me, and I have introduced numerous amendments and improvements to every chapter. I have thoroughly updated the contents of the book to include significant or interesting theoretical developments and empirical research findings related to coordination games, social dilemmas, strategic aspects of evolutionary biology, framing effects, strategic voting, and many other areas of research. In the light of comments from readers and reviewers I have introduced a little more formal mathematics where omitting it seems to have created more problems than it solved.

In addition, I have improved the book's coverage by incorporating into this second edition a number of important topics that have developed recently or were missing from the first edition for other reasons. Chapter 3

now includes a great deal more theoretical and empirical work on coordination games and the minimal social situation. Chapter 6 includes a section on subgame perfect and trembling-hand equilibria and a further section on bargaining solutions for two-person cooperative games; chapter 7 includes a discussion of Axelrod's tournaments of Prisoner's Dilemma game computer programs and a brief review of cross-cultural comparisons of cooperativeness; chapter 8 is renamed and largely rewritten to include a detailed review of the major theories of coalition formation; chapter 9 is renamed and restructured and includes a discussion of the Chain-store paradox and backward induction; chapter 10 is renamed and restructured and incorporates material on strategic voting, which was in a separate chapter of its own in the first edition, and a discussion (requested by a number of readers) of proportional representation voting procedures; chapter 11 is renamed and includes a refutation of the notion that the strongest always survive in evolutionary games, and chapter 12 is renamed and restructured and includes discussions of philosophical problems related to coordination games and Newcomb's problem.

I no longer believe that "ideas are almost invariably expressed more clearly and forcefully by their inventors or discoverers than by subsequent commentators", as I said in the preface to the first edition. I now believe, on the contrary, that innovators sometimes struggle to understand their own inventions or discoveries and that their successors often understand and explain them better. I have therefore been more liberal with my citations of secondary sources in this edition.

I remain indebted to the people who helped me with the first edition and were acknowledged in its preface. Preparation of this edition was facilitated by Grant No. L122251002 from the Economic and Social Research Council as part of the research programme on Economic Beliefs and Behaviour. Numerous thoughtful readers in Britain, the United States, the Netherlands, and elsewhere have made helpful suggestions that have been incorporated into this second edition, and I am grateful to them all. They are too numerous to list exhaustively, but special thanks are due to Jerome Chertkoff, whose thoughtful review in *Contemporary Psychology* included constructive suggestions for improvement that I have implemented fully, to Werner Tack and Manfred Vorwerg, who also offered important practical advice that I have followed, to Michael Bacharach of Oxford University and other colleagues involved in the Framing, Salience and Product Images research project for inspiration and advice, to Brian Parkinson and David Stretch, who provided useful comments, to Roy Davies, who helped me to improve the mathematical appendix and the general presentation of this edition, to Zhu Zhifang of Wuhan University in the People's Republic of China, who discovered an important though deeply hidden error while working on a Chinese translation of the book, and to Kathy Smith for preparing many of the payoff matrices. But in spite of everyone's help and

my own best efforts, this book is not free of errors. It cannot be error-free, because if it were, then the sentence immediately preceding this one would be an error, which would mean that it was not error-free after all. I should be grateful to readers who spot any more serious defects or who have any other comments to make.

Andrew M. Colman