

| | C_1 | C_2 | C_3 | |
|-------|-------|-------|-------|-------------------------|
| R_1 | 4,1 | 1,1 | 2,3 | C_2 wd by C_1 |
| R_2 | 2,2 | 2,0 | 3,3 | C_2 sd by C_3 |
| R_3 | 2,5 | 1,1 | 1,4 | R_3 wd by $R_1 + R_2$ |

wd / sd = weakly / strongly dominated

Pareto vs weak strategies

$$\sigma_R = (.5, .5, 0) \quad \begin{array}{l} \forall C_1 \quad 3 > 2 \\ \forall C_2 \quad 1.5 > 1 \\ \forall C_3 \quad 2.5 > 1 \end{array}$$

$(.5, .5, 0)$ sd R_3

General Notation

S_i is dominated by σ_i if

$$U_i(\sigma_i, s_{-i}) > U_i(s_i, s_{-i}) \quad \forall s_{-i} \in S_{-i}$$

↓
for all

Rational players do NOT play dominated strategies

PARETO EFFICIENCY

Contracting

$$U_i(q, s_{-i}) > U_i(s_i, s_{-i}) \quad \forall s_{-i} \in S_{-i}$$

& $\forall s_{-i} \in S_{-i} \quad s_i \neq q$