

## Location

Firm location is strategy

P and C sell soda at the beach and simultaneously, + independently set up for the day

- 9 regions of = size
- 50 purchases in each region
- customers walk to nearest booth

	C	P
1		
2		
3		
4		
5		
6		
7		
8		
9		

## Iterated dominance

$S_1 = \{1, 2, 3, 4, 5, 6, 7, 8, 9\}$  reduced to

$\hookrightarrow R_1^1 = \{2, 3, 4, 5, 6, 7, 8\}$

$\hookrightarrow R_1^2 = \{3, 4, 5, 6, 7\}$

$\hookrightarrow R_1^3 = \{4, 5, 6\} \rightarrow R_1^4 = \{5\}$

Criticisms of location model:

- 1) in context of market competition, doesn't include firms' specification of prices
- 2) IRL, agents may not move simultaneously
- 3) cannot apply the model with more than 2 products/firms
- 4) one-dimensional

## Strategic Complementarities

Bob increases Alice's payoff but not his

Bob + Alice working together increases either or both

Contracts about effort can't necessarily be made

## Complementarity

Rationalizability leads to unique predictions in 2 player games w/ 3 properties:

- 1) strategy spaces are intervals w/ lower + upper bounds
- 2) there are strategic complementarities
- 3) the slope of the best response functions is  $< 1$

$\hookrightarrow$  these are not required

## Social Virest

Strength in numbers