Rationalizable Strategies - Bernheim

Definition

An action $a_i \in A_i$ is rationalizable in the strategic game $\{N, (A_i), (u_i)\}$ if for each $j \in N$ there is a set $Z_j \subset A_j$ such that

- $a_i \in Z_i$
- every action $a_j \in Z_j$ is a best response to a belief $u_j(a_j)$ of player j whose support is a subset of Z_{-j}.

Matching pennies example

- How to rationalize H for player 1.
- Set $Z_1 = \{H, T\}, Z_2 = \{H, T\}$.