

Non-Cooperative Games

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Abstract

This paper introduces the concept of a non-cooperative game and develops methods for the mathematical analysis of such games. The games considered are n-person games represented by means of pure strategies and pay-off functions defined for the combinations of pure strategies.

The distinction between cooperative and non-cooperative games is unrelated to the mathematical description by means of pure strategies and pay-off functions of a game. Rather, it depends on the possibility or impossibility of coalitions, communication, and side-payments.

The concepts of an equilibrium point, a solution, a strong solution, a sub-solution, and values are introduced by mathematical definitions. And in later sections the interpretation of those concepts in non-cooperative games is discussed.

The main mathematical result is the proof of the existence in any game of at least one equilibrium point. Other results concern the geometrical structure of the set of equilibrium points of a game with a solution, the geometry of sub-solutions, and the existence of a symmetrical equilibrium point in a symmetrical game.

As an illustration of the possibilities for application a treatment of a simple three-man poker model is included.

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1 Introduction

Von Neumann and Morgenstern have developed a very fruitful theory of two-person zero-sum games in their book Theory of Games and Economic Behavior ([Von Neumann & Morgenstern, 1944](#)). This book also contains a theory of n-person games of a type which we would call cooperative. This theory is based on an analysis of the interrelationships of the various coalitions which can be formed by the players of the game.

Our theory, in contradistinction, is based on the absence of coalitions in that it is assumed that each participant acts independently, without collaboration or communication with any of the others.

The notion of an equilibrium point is the basic ingredient in our theory. This notion yields a generalization of the concept of the solution of a two-person zero-sum game. It turns out that the set of equilibrium points of a two-person zero-sum game is simply the set of all pairs of opposing “good strategies”.

In the immediately following sections we shall define equilibrium points and prove that a finite non-cooperative game always has at least one equilibrium point. We shall also introduce the notions of solvability and strong solvability of a non-cooperative game and prove a theorem on the geometrical structure of the set of equilibrium points of a solvable game.

As an example of the application of our theory we include a solution of a simplified three person poker game.

The motivation and interpretation of the mathematical concepts employed in the theory are reserved for discussion on a special section of this paper.

2 Formal Definitions and Terminology

In this section we define the basic concepts of this paper and set up standard terminology and notation. Important definitions will be preceded by a subtitle indicating the concept defined. The non-cooperative idea will be implicit, rather than explicit, below.

Definition 2.1 (Finite Game). For us an n-person game will be a set of n players, or positions, each with an associated finite of pure strategies; and corresponding to each player, i , a pay-off function, p_i , which maps the set of all n-tuples of pure strategies into the real numbers. When we use the word n-tuples we shall always mean a set of n items, with each item associated with a different player.

Definition 2.2 (Mixed Strategy, s_i). A mixed strategy of player i will be a collection of non-negative numbers which have unit sum and are in one to one correspondence with his pure strategies.

We write $s_i = \sum_{\alpha} c_{i\alpha} \pi_{i\alpha}$ with $\sum_{\alpha} c_{i\alpha} = 1$ and $c_{i\alpha} \geq 0$ to represent such a mixed strategy, where the $\pi_{i\alpha}$'s are the pure strategies of player i . We regard the s_i 's as points in a simplex whose vertices are the $\pi_{i\alpha}$'s. This simplex may be regarded as a convex subset of a real vector space, giving us a natural process of linear combination for the mixed strategies.

We shall use the suffixes i, j, k for players and α, β, γ to indicate various pure strategies of a player. The symbols s_i, t_i and r_i , etc. will indicate mixed strategies; $\pi_{i\alpha}$ will indicate the i^{th} player's α^{th} pure strategy, etc.

Definition 2.3 (Pay-off-function, p_i). The pay-off function, p_i , used in the definition of a finite game above, has a unique extension to the n-tuples of mixed strategies which is linear in the mixed strategy of each player [n-linear]. This extension we shall also denote by p_i , writing $p_i(s_1, s_2, \dots, s_n)$.

We shall write s or t to denote an n-tuple of mixed strategies and if $s = (s_1, \dots, s_n)$ then $p_i(s)$ shall mean $p_i(s_1, s_2, \dots, s_n)$. Such an n-tuple, s , will also be regarded as point in a vector space, which space could be obtained by multiplying together the vector spaces containing the mixed strategies. And the set of all such n-tuples forms, of course, a convex polytope, the product of the simplices representing the mixed strategies.

For convenience we introduce the substitution notation $(s; t_i)$ to stand for $(s_1, s_2, \dots, s_{i-1}, t_i, s_{i+1}, \dots, s_n)$ where $s = (s_1, s_2, \dots, s_n)$. The effect of successive substitutions $((s; t_i); r_j)$ we indicate by $(s; t_i; r_j)$, etc.

Definition 2.4 (Equilibrium point). An n-tuple s is an equilibrium point if and only if for every i

$$p_i(s) = \max_{\text{all } r_i \text{'s}} [p_i(s; r_i)] \quad (2.1)$$

Thus an equilibrium point is an n-tuple s such that each player's mixed strategy maximizes his pay-off if the strategies of the others are held fixed. Thus each player's strategy is optimal against those of the others. We shall occasionally abbreviate equilibrium point by eq. pt.

We say that a mixed strategy s_i uses a pure strategy $\pi_{i\beta}$ if $s_i = \sum_{\alpha} c_{i\alpha} \pi_{i\alpha}$ and $c_{i\beta} > 0$. If $s = (s_1, s_2, \dots, s_n)$ and s_i uses $\pi_{i\alpha}$ we also say that s uses $\pi_{i\alpha}$.

From the linearity of $p_i(s_1, \dots, s_n)$ in s_i :

2 Formal Definitions and Terminology

$$\max_{\text{all } r_i \text{'s}} [p_i(s; t_i)] = \max_{\alpha} [p_i(s; \pi_{i\alpha})] \quad (2.2)$$

We define $p_{i\alpha}(s) = p_i(s; \pi_{i\alpha})$. Then we obtain the following trivial necessary and sufficient condition for s to be an equilibrium point:

$$p_i(s) = \max_{\alpha} p_{i\alpha}(s) \quad (2.3)$$

If $s = (s_1, s_2, \dots, s_n)$ and $s_i = \sum_{\alpha} c_{i\alpha} \pi_{i\alpha}$ then $p_i(s) = \sum_{\alpha} c_{i\alpha} p_{i\alpha}(s)$, consequently for Equation 2.3 to hold we must have $c_{i\alpha} = 0$ whenever $p_{i\alpha}(s) < \max_{\beta} p_{i\beta}(s)$, which is to say that s does not use $\pi_{i\alpha}$ unless it is an optimal pure strategy for player i . So we write

$$\text{if } \pi_{i\alpha} \text{ is used in } s \text{ then } p_i(s) = \max_{\beta} p_{i\beta}(s) \quad (2.4)$$

as another necessary and sufficient condition for an equilibrium point.

Since a criterion Equation 2.3 for an eq. pt. can be expressed as the equating of two continuous functions on the space of n-tuples s the eq. pts. obviously form a closed subset of this space. Actually, this subset is formed from a number of pieces of algebraic varieties, cut out by other algebraic varieties.

3 Applications

The study of n-person games for which the accepted ethics of fair play imply non-cooperative playing is, of course, an obvious direction in which to apply this theory. And poker is the most obvious target. The analysis of a more realistic poker game than our very simple model should be quite an interesting affair.

The complexity of the mathematical work needed for a complete investigation increases rather rapidly, however, with increasing complexity of the game; so that it seems that analysis of a game much more complex than the example given here would only be feasible using approximate computational methods.

A less obvious type of application is the study of cooperative games. By a cooperative game we mean a situation involving a set of players, pure strategies, and pay-offs as usual; but with the assumption that the players can and will collaborate as they do in the von Neumann and Morgenstern theory. This means the players may communicate and form coalitions which will be enforced by an umpire. It is unnecessarily restrictive, however, to assume any transferability, or even comparability of the pay-offs [which should be in utility units] to different players. Any desired transferability can be put into the game itself instead of assuming it possible in the extra-game collaboration.

The writer has developed a “dynamical” approach to the study of cooperative games based upon reduction to non-cooperative form. One proceeds by constructing a model of the pre-play negotiation so that the steps of negotiation become moves in a larger non-cooperative game [which will have an infinity of pure strategies] describing the total situation.

This larger game is then treated in terms of the theory of this paper [extended to infinite games] and if values are obtained they are taken as the values of the cooperative game. Thus the problem analyzing a cooperative game becomes the problem of obtaining a suitable, and convincing, non-cooperative model for the negotiation.

The writer has, by such a treatment, obtained values for all finite two person cooperative games, and some special n-person games.

Bibliography

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