

# Coalgebra of market games

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# Outline

Coalgebra of games

Equilibrium programming

Position analysis

Conclusion

Games

Equilibria

Positions

Conclusion

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# A process is a coalgebra

$$X \xrightarrow{R} A \Rightarrow M(B \times X)$$

where

- ▶  $A$  — controls
- ▶  $B$  — measurements
- ▶  $X$  — states

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where

- ▶  $A$  — controls
- ▶  $B$  — measurements
- ▶  $X$  — states

# Feedback and stable control

$$\frac{A \times X \xrightarrow{R} B \times X \qquad B \times X \xrightarrow{\phi} A}{}$$

$$\frac{A \times X \xrightarrow{R} B \times X \xrightarrow{\phi} A}{}$$

$$\begin{array}{ccc} X & \xrightarrow{\gamma = \text{Fix}_A(\phi \circ R)} & A \\ \langle \gamma, \text{id} \rangle \downarrow & & \uparrow \phi \\ A \times X & \xrightarrow{R} & B \times X \end{array}$$

# A game is a coalgebra

$$A \times X \xrightarrow{q} B \times X$$

where

- ▶  $A = \prod_{i \in n} A_i$  — moves
- ▶  $B = \prod_{i \in n} B_i$  — values
- ▶  $X = \prod_{i \in n} X_i$  — positions
- ▶  $n = \{0, 1, \dots, n-1\}$  — players



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where

- ▶  $A = \prod_{i \in n} A_i$  — moves
- ▶  $B = \prod_{i \in n} B_i$  — values (ordered ring)
- ▶  $X = \prod_{i \in n} X_i$  — positions
- ▶  $n = \{0, 1, \dots, n-1\}$  — players

# Response strategy and equilibrium

$$\begin{array}{c} A \times X \xrightarrow{\theta} B \times X \\ \hline A_{-i} \times X_j \xrightarrow{RS_i} A_i \\ \hline A \times X \xrightarrow{RS = \langle RS_i \circ \pi_i \rangle_{i \in m}} A \\ \hline \begin{array}{ccc} X & \xrightarrow{RS^* = \text{Fix}_A(RS)} & A \\ & \searrow \langle RS^*, \text{id} \rangle & \nearrow RS \\ & A \times X & \end{array} \end{array}$$

where

$$A_{-i} = \prod_{\substack{k \in n \\ k \neq i}} A_k$$

# Tasks for coalgebra of games

- ▶ analyze positions as states in  $X$ 
  - ▶ coalgebra homomorphisms between games
  - ▶ position bisimilarity

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  - ▶ equilibrium at a stationary position  $1 \xrightarrow{\langle RS^*, x \rangle} A \times X$

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# Outline

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# Standard notions

(Static:  $X = 1$ )

A1 - Best response strategy  $RS = BR$

$$s_{-i} BR_i s_i \iff \forall t_i \in A_i. \varrho_i(t_i, s_{-i}) \leq \varrho_i(s_i, s_{-i})$$

# Standard notions

(Static:  $X = 1$ )

## A1 - Best response relation

$$s \text{ BR } t \iff \forall i \in n. s_{-i} \text{ BR}_i t_i$$



# Standard notions

(Static:  $X = 1$ )

## A2 - Nash equilibrium

$$\begin{aligned}BR^*s &\iff s \in BR(s) \\ &\iff \forall i \in n. s_{-i} \in BR_i(s_i)\end{aligned}$$

# Standard notions

(Static:  $X = 1$ )

## A3 - Rationalizable (undominated) profile

$$BR^*s \iff \exists t. BR^*t \wedge tBRs$$

## Upshot

Nash equilibrium is

- ▶ a joint result of individual optimizations
- ▶ a social solution of a distributed problem
- ▶ noone can improve their gain on their own
- ▶ it leads beyond the "zero sum" view of the world

## Issues

- ▶ existence of equilibrium
  - ▶ Q: Is  $BR^*$  empty?
- ▶ equilibrium selection
  - ▶ Q: What if  $s, t \in BR^*$ , and  $i$  plays  $s_i$  and  $j$  plays  $t_j$ ?
- ▶ social benefit of equilibrium
  - ▶ Q: Is  $\sum_i \varrho_B^i(s)$  a global maximum (Pareto optimal)?

## Issues

- ▶ existence of equilibrium
  - ▶ A: Kakutani theorem
- ▶ equilibrium selection
  - ▶ A: attractor dynamics
- ▶ social benefit of equilibrium
  - ▶ A: **program the notions of response**

# Example: Bird Politics

(Chicken, Missile Crisis, Prisoners' Dilemma...)

For

- ▶  $i \in 2 = \{0, 1\}$
- ▶  $A_i = \{\textit{retreat}, \textit{attack}\}$
- ▶  $B_i = \mathbb{R}$

the payoff  $A_0 \times A_1 \xrightarrow{e} B_0 \times B_1$  is given by

	retreat	attack
retreat	$\frac{w}{2}$	0
attack	0	$\frac{w}{2} - c$

# Example: Bird Politics

(Chicken, Missile Crisis, Prisoners' Dilemma...)

If  $c < \frac{w}{2}$ , the only Nash equilibrium  $1 \xrightarrow{s} A_0 \times A_1$  is

$$s = \langle \text{attack}, \text{attack} \rangle$$

with the social gain of

$$\sum \varrho(s) = w - 2c$$

# Example: Bird Politics

(Chicken, Missile Crisis, Prisoners' Dilemma...)

The *unstable* profile

$$r = \langle \text{retreat}, \text{retreat} \rangle$$

would give the social gain of

$$\sum \varrho(s) = w$$



# Static strategies

( $X = 1$ )

## B1 - Stable strategy $RS = SR$

$$s_{-i} SR_i s_i \iff \forall t \in A \forall \varepsilon > 0.$$
$$(1 - \varepsilon) \varrho_i(t_i, s_{-i}) + \varepsilon \varrho_i(t_i, t_{-i}) \leq$$
$$(1 - \varepsilon) \varrho_i(s_i, s_{-i}) + \varepsilon \varrho_i(s_i, t_{-i})$$

# Static strategies

( $X = 1$ )

## B1 - Stable strategy $RS = SR$

$$s_{-i} SR_i s_i \iff \forall t_i \in A_i. \varrho_i(t_i, s_{-i}) \leq \varrho_i(s_i, s_{-i}) \wedge \\ (\varrho_i(t_i, s_{-i}) = \varrho_i(s_i, s_{-i}) \Rightarrow \\ \forall t_{-i} \in A_{-i}. \varrho_i(t_i, t_{-i}) \leq \varrho_i(s_i, t_{-i}))$$

# Static strategies

( $X = 1$ )

## B1 - Stable response relation

$$s \text{ SR } t \iff \forall i \in n. s_{-i} \text{ SR}_i t_i$$

# Static strategies

( $X = 1$ )

## B2 - Stable equilibrium

$$\begin{aligned}
 SR^{\bullet} s &\iff \forall i \in n. s_{-i} SR_i s_i \\
 &\iff \forall t \in A. \forall i \in n. \varrho_i(t_i, s_{-i}) \leq \varrho_i(s_i, s_{-i}) \wedge \\
 &\quad \varrho_i(s_i, t_{-i}) = \varrho_i(s_i, s_{-i}) \Rightarrow \\
 &\quad \forall t_{-i} \in A_{-i}. \varrho_i(t_i, t_{-i}) \leq \varrho_i(s_i, t_{-i})
 \end{aligned}$$

# Static strategies

( $X = 1$ )

## B3 - Stable (admissible) profile

$$SR^*s \iff \exists t. SR^*t \wedge tSRs$$

# Example: Bird Politics

(Chicken, Missile Crisis, Prisoners' Dilemma...)

If  $c < \frac{w}{2}$ , the only **stable** profile  $1 \xrightarrow{s} A_0 \times A_1$  is

$$s = \langle \text{attack}, \text{attack} \rangle$$

with the social gain of

$$\sum \varrho(s) = w - 2c$$

# Static strategies

( $X = 1$ )

## C1 - Uniform strategy $RS = UR$

$$s_{-j} UR_j s_j \iff s_{-j} BR_j s_j \wedge \\ \forall t_{-j} \in A_{-j}. s_j BR_{-j} t_{-j} \Rightarrow t_{-j} BR_j s_j$$

# Static strategies

( $X = 1$ )

## C2 - Uniform equilibrium

$$\begin{aligned}
 UR^\bullet s &\iff \forall i \in n. s_{-i} UR_i s_i \\
 &\iff BR^\bullet s \wedge \\
 &\quad \forall i \in n. \forall t_{-i} \in A_{-i}. s_i BR_{-i} t_{-i} \Rightarrow t_{-i} BR_i s_i
 \end{aligned}$$



# Static strategies

( $X = 1$ )

## C3 - Uniform profile

$$UR^* s \iff \exists t. UR^* t \wedge tURs$$

# Example: Bird Politics

(Chicken, Missile Crisis, Prisoners' Dilemma...)

If  $c < \frac{w}{2}$ , there is **no** uniform equilibrium for Bird Politics  
(neither pure nor mixed).

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(Chicken, Missile Crisis, Prisoners' Dilemma...)

If  $c < \frac{w}{2}$ , there is **no** uniform equilibrium for Bird Politics  
(neither pure nor mixed).

The Kakutani theorem does not apply because the  
uniform response relation is not convex.

# Static strategies

( $X = 1$ )

## D1 - Constructive strategy $RS = CR$

$$s_{-i} CR_i s_i \iff \forall t_i \in A_i. \varrho_i(s_i, s_{-i}) < \varrho_i(t_i, s_{-i}) \Rightarrow \\ \exists t_{-i} \in A_{-i}. \varrho_{-i}(t_i, t_{-i}) > \varrho_{-i}(t_i, s_{-i}) \wedge \\ \varrho_i(t_i, t_{-i}) < \varrho_i(s_i, s_{-i})$$

# Static strategies

( $X = 1$ )

## D2 - Constructive equilibrium

$$CR^* s \iff \forall i. s_{-i} CR_i s_i$$

# Static strategies

( $X = 1$ )

## D3 - Uniform profile

$$CR^* s \iff \exists t. CR^* t \wedge tCRs$$

# Example: Bird Politics

(Chicken, Missile Crisis, Prisoners' Dilemma...)

There is a constructive equilibrium, consisting of the mixed strategies **favoring the Pareto optimal solution**  $\langle \textit{retreat}, \textit{retreat} \rangle$ .

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Equilibrium programming

Position analysis

Problem of coordination

Problem of competition

Conclusion



# Tasks for coalgebra of games

- ▶ analyze positions as states in  $X$ 
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- ▶ construct equilibria as fixed points in  $A$ 
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# Types-as-positions: Bird Politics

(Chicken, Missile Crisis, Prisoners' Dilemma...)

For

- ▶  $i \in 2 = \{0, 1\}$
- ▶  $A_i = \{\textit{retreat}, \textit{attack}\}$
- ▶  $B_i = \mathbb{R}$
- ▶  $X_i = [0, 1]$ 
  - ▶  $x_0 = \text{Prob}(a_1 = \textit{retreat})$
  - ▶  $x_1 = \text{Prob}(a_0 = \textit{retreat})$

the payoff  $A_i \times X_i \xrightarrow{\varrho_B^i} B_i$  is given by

$$\varrho_B^i(\textit{retreat}, x_j) = x_j \frac{w}{2}$$

$$\varrho_B^i(\textit{attack}, x_j) = x_j \frac{w + 2c}{2} + \frac{w - 2c}{2}$$

# Types-as-positions: Bird Politics

(Chicken, Missile Crisis, Prisoners' Dilemma...)

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market games

**D. Pavlovic**

Games

Equilibria

**Positions**

Coordination

Competition

Conclusion

[...]

# Example: Majority game

(static:  $X = 1$ )

For

- ▶  $i \in 2m + 1 = \{0, 1, \dots, 2m\}$  — players
- ▶  $A_i = \{\blacktriangleleft, \blacktriangleright\}$  — moves
- ▶  $B_i = \{0, 1\}$  — values

the payoff  $A \xrightarrow{e} B$  is

$$e^i(s) = \begin{cases} 1 & \text{if } \#\{j \mid s_j = s_i\} > m \\ 0 & \text{otherwise} \end{cases}$$

# Example: Majority game

(static:  $X = 1$ )

The equilibrium  $1 \xrightarrow{s} A$  consists of the mixed strategies

$$s_i = \frac{1}{2} \blacktriangleleft + \frac{1}{2} \blacktriangleright$$

with the expected social gain of

$$\begin{aligned} \mathbb{E}\left(\sum \varrho(s)\right) &= 2 \sum_{k=m+1}^{2m+1} \frac{\binom{2m+1}{k}}{2^{2m+1}} k \\ &= m + \frac{1}{2} \end{aligned}$$

# Positions for coordination: Majority game

(with 1-step memory)

For

- ▶  $i \in 2m + 1 = \{0, 1, \dots, 2m\}$  — players
- ▶  $A_i = \{\blacktriangleleft, \blacktriangleright\}$  — moves
- ▶  $B_i = \{0, 1\}$  — values
- ▶  $X_i = \{\blacktriangleleft, \blacktriangleright\}$  — positions
  - ▶  $\xi \in X = \prod X_i$  — initialized randomly

the game  $A \times X \xrightarrow{\varrho} B \times X$  becomes

$$\varrho_B^i(s, x) = \begin{cases} 1 & \text{if } \#\{j \mid s_j = s_i\} > m \\ 0 & \text{otherwise} \end{cases}$$

$$\varrho_X^i(s, x) = \diamond \text{ such that } \#\{j \mid s_j = \diamond\} > m$$

# Positions for coordination: Majority game

The equilibria  $X \xrightarrow{s} A$  are the coordination policies

$$s_i(x) = x$$

$$s'_i(x) = \neg x$$

which assure the social gain of

$$\sum \varrho(s) = 2m + 1$$

# Example: Minority game

(static:  $X = 1$ )

For

- ▶  $i \in 2m + 1 = \{0, 1, \dots, 2m\}$  — players
- ▶  $A_i = \{\blacktriangleleft, \blacktriangleright\}$  — moves
- ▶  $B_i = \{0, 1\}$  — values

the payoff  $A \xrightarrow{e} B$  is

$$e^i(s) = \begin{cases} 1 & \text{if } \#\{j \mid s_j = s_i\} \leq m \\ 0 & \text{otherwise} \end{cases}$$



# Example: Minority game

(static:  $X = 1$ )

The static equilibrium  $1 \xrightarrow{s} A$  is again

$$s_i = \frac{1}{2} \leftarrow + \frac{1}{2} \rightarrow$$

with the expected social gain of

$$\begin{aligned} \mathbb{E}\left(\sum \varrho(s)\right) &= \sum_{k=1}^m \frac{\binom{2m+1}{k}}{2^{2m+1}} k \\ &= \frac{m}{2} \end{aligned}$$

# Example: Minority game

(static:  $X = 1$ )

- ▶ Even with the maximal gain of  $\sum \varrho(s) = m$ , there are  $m + 1$  players with  $\varrho^i(s) = 0$ .

# Example: Minority game

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- ▶ Even with the maximal gain of  $\sum \varrho(s) = m$ , there are  $m + 1$  players with  $\varrho^i(s) = 0$ .
- ▶ There is always a majority with an incentive to disturb the current state.

# Example: Minority game

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- ▶ Even with the maximal gain of  $\sum \varrho(s) = m$ , there are  $m + 1$  players with  $\varrho^i(s) = 0$ .
- ▶ There is always a majority with an incentive to disturb the current state.
- ▶ This leads **from equilibrium to evolution**.

# Positions for stabilization: Minority game

(with  $\ell$ -step memory and  $d$  ideas)

Suppose that the player  $i$  sees the positions from

$$X_i = M \times S^{1+d} \times \ell$$

where

- ▶  $M = S = \{\blacktriangleleft, \blacktriangleright\}^\ell$  — memory, strategies, ideas
- ▶  $d = \{0, 1, \dots, d-1\}$  — number of ideas
- ▶  $\ell = \{0, 1, \dots, \ell-1\}$  — length of the memory

# Positions for stabilization: Minority game

(with  $\ell$ -step memory and  $d$  ideas)

A position

$$x_i = \langle \mu, \sigma^{i0}, \sigma^{i1}, \dots, \sigma^{id}, k \rangle \in M \times \mathcal{S}^{1+d} \times \ell = X_i$$

records

- ▶  $\mu$  — the recent  $\ell$  minority (winning) choices
- ▶  $\sigma^{i0}$  —  $i$ 's current strategy ( $\ell$ -tuple of choices)
- ▶  $\sigma^{i1}, \sigma^{i2}, \dots, \sigma^{id}$  —  $i$ 's bag of ideas for strategies
- ▶  $k$  — the current moment in the  $\ell$ -cycle history

# Positions for stabilization: Minority game

For

- ▶  $i \in 2m + 1 = \{0, 1, \dots, 2m\}$  — players
- ▶  $A_i = \{\blacktriangleleft, \blacktriangleright\}$  — moves
- ▶  $B_i = \{0, 1\}$  — values
- ▶  $X_i = M \times S^{1+d} \times \ell$  — positions
  - ▶  $\xi^i \in X_i$  — initialized randomly

the payoff  $A \times X \xrightarrow{\varrho_B} B$  remains

$$\varrho_B^i(s, x) = \begin{cases} 1 & \text{if } \#\{j \mid s_j = s_i\} \leq m \\ 0 & \text{otherwise} \end{cases}$$

# Positions for stabilization: Minority game

... while the position update  $A \times X_i \xrightarrow{\varrho_X^i} X_i$  maps

$$\varrho_X^i(\mathbf{s}, \langle \mu, \sigma^{i*}, k \rangle) = \langle \tilde{\mu}, \tilde{\sigma}^{i*}, \tilde{k} \rangle$$

so that

- ▶  $\tilde{k} = k + 1 \pmod{\ell}$
- ▶  $\tilde{\mu} = \langle \diamond, \mu_0, \mu_1, \dots, \mu_{\ell-2} \rangle$ 
  - ▶ where  $\diamond$  is the minority choice, i.e.  $\#\{j \mid s_j = \diamond\} \leq m$
- ▶  $\tilde{\sigma}^{i*}$  is obtained by reordering
  - ▶  $\hat{\sigma}^{i*} = \langle \sigma_{\ell-1}^{i*}, \sigma_0^{i*}, \sigma_1^{i*}, \dots, \sigma_{\ell-2}^{i*} \rangle$
  - ▶ to maintain the invariant

$$\Delta(\tilde{\sigma}^{i0}, \tilde{\mu}) \leq \Delta(\tilde{\sigma}^{i1}, \tilde{\mu}) \leq \dots \leq \Delta(\tilde{\sigma}^{id}, \tilde{\mu})$$



# Positions for stabilization: Minority game

... while the position update  $A \times X_i \xrightarrow{\varrho_X^i} X_i$  maps

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  - ▶  $\tilde{\sigma}^{i*} = \langle \sigma_{\ell-1}^{i*}, \sigma_0^{i*}, \sigma_1^{i*}, \dots, \sigma_{\ell-2}^{i*} \rangle$
  - ▶ to maintain the invariant

$$\Delta(\tilde{\sigma}^{i0}, \tilde{\mu}) \leq \Delta(\tilde{\sigma}^{i1}, \tilde{\mu}) \leq \dots \leq \Delta(\tilde{\sigma}^{id}, \tilde{\mu})$$

— thus  $\tilde{\sigma}^{i0}$  is the best and  $\tilde{\sigma}^{id}$  the worst strategy w.r.t.  $\tilde{\mu}$

# Positions for stabilization: Minority game

Let the profile  $X \xrightarrow{s} A$  be defined by

$$s_i(\mu, \sigma^{i*}, k) = \sigma_k^{i0}$$

i.e., each player plays his currently best strategy.

# Positions for stabilization: Minority game

Evolution: refine  $A \times X_i \xrightarrow{\varrho^i} X_i$

- ▶ Each player *randomly mutates* her state by
  - ▶ dropping her worst idea  $\sigma^{i(\ell-1)} \in \{\blacktriangleleft, \blacktriangleright\}^\ell$
  - ▶ adding a random idea  $\sigma' \in \{\blacktriangleleft, \blacktriangleright\}^\ell$ .

at chosen intervals, or triggered by bad scores.

# Positions for stabilization: Minority game

Evolution: refine  $A \times X_i \xrightarrow{\varrho^i} X_i$

- ▶ Each player *randomly mutates* her state by
  - ▶ dropping her worst idea  $\sigma^{i(\ell-1)} \in \{\blacktriangleleft, \blacktriangleright\}^\ell$
  - ▶ adding a random idea  $\sigma' \in \{\blacktriangleleft, \blacktriangleright\}^\ell$ .at chosen intervals, or triggered by bad scores.
- ▶ This leads to jointly stable populations of players.

# Positions for stabilization: Minority game

## Stable positions

$$\begin{array}{c}
 X \xrightarrow{\langle s, \text{id} \rangle} A \times X \qquad A \times X \xrightarrow{\varrho_X} X \\
 \hline
 X \xrightarrow{\langle s, \text{id} \rangle} A \times X \xrightarrow{\varrho_X} X \\
 \hline
 \begin{array}{ccc}
 1 & \xrightarrow{\eta = \text{Fix}_X(\varrho_X \circ s)} & X \\
 \eta \downarrow & & \uparrow \varrho_X \\
 X & \xrightarrow{\langle s, \text{id} \rangle} & A \times X
 \end{array}
 \end{array}$$

yield improved social gains  $\mathbb{E}(\Sigma_\varrho) > \frac{m}{2} + q$ .

# Example: Market game

(static:  $X = 1$ )

For

- ▶  $i \in n = \{0, 1, \dots, n-1\}$  — players (sellers, producers)
- ▶  $A_i = B_i = \mathbb{R}$  — moves, values

the payoff  $A \xrightarrow{e} B$  is

$$e^i(s) = \begin{cases} s_i - c_i & \text{if } \forall j \in n \setminus \{i\}. s_i < s_j \\ 0 & \text{otherwise} \end{cases}$$

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For

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$$e^i(s) = \begin{cases} s_i - c_i & \text{if } \forall j \in n \setminus \{i\}. s_i < s_j \\ 0 & \text{otherwise} \end{cases}$$

where

- ▶  $s_i$  is the market price offered by the producer  $i$ ,
- ▶  $c_i$  is the production cost of  $i$

# Example: Market game

(static:  $X = 1$ )

The equilibria  $1 \xrightarrow{\$} A$  consist of the strategies

$$s_i = c_i + \varepsilon_i$$

where  $\varepsilon_i \in [p_i, q_i]$  is the desired profit.



# Example: Market game

(with memory and tactics)

## Marketing tactics (equilibrium selection)

- ▶ to win, find  $\varepsilon$  such that  $c_i + \varepsilon < c_j + \varepsilon_j$  for all  $j \neq i$

# Example: Market game

(with memory and tactics)

## Marketing tactics (equilibrium selection)

- ▶ to win, find  $\varepsilon$  such that  $c_i + \varepsilon < c_j + \varepsilon_j$  for all  $j \neq i$ 
  - ▶ to profit, maximize among such  $\varepsilon$

# Example: Market game

(with memory and tactics)

## Marketing tactics (equilibrium selection)

- ▶ to win, find  $\varepsilon$  such that  $c_i + \varepsilon < c_j + \varepsilon_j$  for all  $j \neq i$ 
  - ▶ to profit, maximize among such  $\varepsilon$
- ▶ change the game:
  - ▶ sway the buyer to pay more than the lowest price
    - ▶ lock in, bundling, price discrimination. . .
  - ▶ manipulate the market information
    - ▶ advertising, branding. . .

# Stable solution: Second price market game

(Static:  $X = 1$ )

For

- ▶  $i \in n = \{0, 1, \dots, n-1\}$  — players
- ▶  $A_i = B_i = \mathbb{R}$  — moves, values

the payoff  $A \xrightarrow{e} B$  is

$$e^i(s) = \begin{cases} \lceil s_i \rceil^s - s_i & \text{if } \forall j \in n \setminus \{i\}. s_i < s_j \\ 0 & \text{otherwise} \end{cases}$$

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- ▶  $i \in n = \{0, 1, \dots, n-1\}$  — players
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the payoff  $A \xrightarrow{e} B$  is

$$e^i(s) = \begin{cases} \lceil s_i \rceil^s - s_i & \text{if } \forall j \in n \setminus \{i\}. s_i < s_j \\ 0 & \text{otherwise} \end{cases}$$

where

$$\lceil a \rceil^\beta = \bigwedge \{b \in \beta \mid a < b\}$$

# Stable solution: Second price market game

(Static:  $X = 1$ )

The unique equilibrium  $1 \xrightarrow{s} A$  consists of the strategies

$$S_j = C_j$$

# Stable solution: Second price market game

(Static, stable, **unimplementable**)

The unique equilibrium  $1 \xrightarrow{s} A$  consists of the strategies

$$s_j = c_j$$

i.e.,

- ▶ each player announces her production cost
- ▶ the lowest cost wins the market
- ▶ the profit is  $[c_i]^c - c_i$ 
  - ▶ the second lowest cost – the lowest cost

# Outline

Coalgebra of games

Equilibrium programming

Position analysis

Conclusion



# Conclusion: Tasks for coalgebra of games

- ▶ analyze positions as states in  $X$ 
  - ▶ coalgebra homomorphisms between games
  - ▶ position bisimilarity
- ▶ construct equilibria as fixed points in  $A$ 
  - ▶ static  $1 \xrightarrow{s} A$  or position-wise  $X \xrightarrow{s} A$
  - ▶ equilibrium at a stationary position  $1 \xrightarrow{\langle s, x \rangle} A \times X$