[Summary]

Game Theory

Subject:	Business Economics
Course:	B. A. (Hons.), 2nd Semester, Undergraduate
Paper No. & Title:	Paper – 201 Microeconomics II
Unit No. & Title:	Unit – 1 Market with Imperfect Competition
Lecture No. & Title:	Lecture – 4 Game Theory

The above discussions on game theory have explained how this concept can be used to explain the behavior of the firms in oligopoly and duopoly markets. It shows that it is easy to understand the behavior of the firms when it is put into game theoretical situations. The players in the game are the competing firms and their actions are the strategies that they may adopt depending on the action of their rival firms. The firms may or may not have an optimal strategy. If they have an optimal or the best strategy irrespective of the strategy followed by their rivals they are said to have a dominant strategy. If the firm do not have a dominant strategy they can still have an optimal strategy depending on the strategy adopted by the other firm this is called Nash Equilibrium. The behaviors of the firms where they cannot jointly decide their best or most profitable strategy are known as non-cooperative games. These types of games or behavior can be explained by the concept of "Prisoner's Dilemma.