

# Iterated dominance

JW fig. 7.1

1 \ 2	X	Y	Z
A	3,3	0,5	0,4
B	0,0	3,1	1,2

- ▶ We assume that it is common knowledge (CK) that the players are rational and what the rules of the game are
- ▶ B does not dominate A and A does not dominate B

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- ▶ B does not dominate A and A does not dominate B
- ▶ But: Y dominates X, so P2 will not play X
- ▶ By CK P1 knows that P2 will not play X
- ▶  $\Rightarrow$  A is not a best response for P1