

	Other Cooperates	Other Defects
You Cooperate:	a	c
You Defect:	b	d

1. $B > A$ and $D > C$ Defect dominant
2. $A > C$ and $B > D$ More co-op by other increases one's pay off
3. $A + A$ exceeds any other summation

Person 2

Person 1	*A. 1.95-1.00 = .95	**C. .99
Co-op	1.95-1.00 = .95	.99-1.00 = -.01

Defect	**B. .99-1.00 = -.01	D. 0
		no good produced
	.99	0

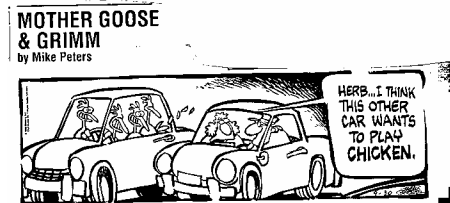
*HEC good worth \$1.95 w T.C. = \$2.00/2 persons = \$1.00

**Poorer quality HEC good worth .99 w T.C. = \$1.00

$B > A$ and $D > C$

Auction of Dollar Bill

- Rules of Auction;
- 1. The top two bids pay their bid.
- 2. Total bid may not exceed \$10.
- 3. Start bid at 5 cents, increments not to exceed 25 cents.



Sale of Dollar when two players left

		Person 2	
Person 1	A.	.50	C. 1.00
Co-op	.50		Person 2 threatens to keep bidding. \$zero
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Defect (Bid)	B.	Zero	D. -\$10
	Person 1 threatens to keep bidding \$1.00		Both go bankrupt -\$10
	B > A but D < C		Nothing dominant

Iterative PD

- **“Maximization of multiple functions is mathematically impossible.”**
- **“Determinacy is not a defining feature of rationality.”**
- **“Most of the solutions to the iterative PD are openly normative.”**

**Be savvy, not rational,
if world is indeterminate, i.e. if
everything not connected to
everything with a single cardinal
metric.**

Ways to Unhorse Free Rider

1. Leviathan and tie-in sales
2. Look for trustworthy partner (status-grant)
Take advantage of emotions
3. Play tit-for-tat
4. Learn trust over time
5. Rearrange current reinforcers
6. Encourage caring, community and communication
7. Learn docility (respond to social pressure).

Nash Equilibrium
remember, he went bonkers!

Or

Schmid Evolution?
At least one evolutionary path in
every game