

**CS395T**  
**Agent-Based Electronic Commerce**  
**Fall 2006**

**Peter Stone**

Department of Computer Sciences  
The University of Texas at Austin

Week 3a

# Good Afternoon, Colleagues

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Are there any questions?

# Logistics

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- Reading responses

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- Changed readings

# Logistics

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- Reading responses
- Changed readings
- Presentation dates: pick a topic and a date

# Rational choice theory

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- Can this be explained away by arguing that with humans, the payoff function is not fixed once and for all?
- No! (Kahneman and Tversky)

# Revenue Equivalence

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- First-price auction:  $(v_2, v_2, \dots)$  is a Nash eq.
  - Many other Nash equilibria exist, but this one is “distinguished”
- In both cases, revenue is  $v_2$

# Solution Concepts

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- Dominant Strategy
- Nash equilibrium strategy
- Pareto optimal strategy
- Strategies that maximize social welfare

# Class Discussion

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- Chris Jones on Nash equilibrium

# Mixed strategy equilibrium

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Do actual numbers matter?