

07.19.01 Lunchtime Talk: An Introduction to Bargaining Theory

Main Question: *How to make your share larger or How to increase your "bargaining power"?*

We address the following questions:

- Could your parents be more supportive of your wishes?

- Why some web addresses are sold for millions of dollars?
Example: <http://www.altavista.com/>
Used to be: <http://www.altavista.digital.com/>
See details at

[Bernhard Warner, "Domain name shell game," Mediaweek, August 24, 1998](#)

[Don Clark and Bart Ziegler, "Digits," Wall Street Journal; New York; September 24, 1998](#)

[Joshua Quittner, "What's in a name?," Time, New York; August 31, 1998](#)

[Doug Levy, "Compaq finds bonus in Digital," USA Today, September 21, 1998](#)

07.19.01 Lecture 2 / 3 Bargaining Theory: An Introduction

More Games: Prisoners' Dilemma; Playing "Centipede Game"

New Concepts

Discount Factor

Uncertainty [and Discount Factor]
Patience [and Discount Factor]
Outside Option
Reputation [and Repeated Games]

[Rubinstein \(1982\) Bargaining Model](#)

Manipulation [and Bargaining Power]
Discount Factor [and Bargaining Power]
Outside Option [and Bargaining Power]
Reputation [and Bargaining Power]

Summary

References and Further Readings:

In this short introduction to game theory, I borrowed structure and some examples from an excellent textbook:

Dixit, A. and Skeath, S., (1999), [Games of Strategy](#), W. W. Norton & Co, Inc.: New York.

Roth, Al., (1995), "[Bargaining \(Economic Theories of Bargaining\)](#)", Social Science Encyclopedia, 2nd Edition. <http://www.economics.harvard.edu/~aroth/barg.html>

History of game theory by [Paul Walker](#) <http://www.econ.canterbury.ac.nz/hist.htm>

Some Game Theorist's pages with links to game theory web resources

[David Levine](#) <http://levine.sscnet.ucla.edu/>

[Ariel Rubinstein](#) <http://www.princeton.edu/~ariel/links-econ.html>

[Alvin Roth](#) <http://www.economics.harvard.edu/~aroth/barg.html>

More fun:

[Economists are Joking](#): <http://netec.wustl.edu/JokEc.html>

[And Playing on the Markets](#): <http://www.biz.uiowa.edu/iem/index.html>

Try out [Gambit](#): <http://www.hss.caltech.edu/gambit/Gambit.html>
[software program for solving games from [Cal Tech](#)]