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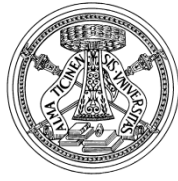
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**Quaderni di Dipartimento**

**Evolution towards asymptotic efficiency,  
preliminary version**

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# Evolution towards asymptotic efficiency, preliminary version

Stefano Demichelis

May 17, 2012

## Abstract

We show that in long repeated games, or in infinitely repeated games with discount rate close to one, payoffs corresponding to evolutionary stable sets are asymptotically efficient, as intuition suggests. Actions played at the beginning of the game are used as messages that allow players to coordinate on Pareto optimal outcomes in the following stages. The result builds a bridge between the theory of repeated games and that of communication games.

## 1 Introduction

Consider the (doubly symmetric) game.

$$\begin{array}{cc} & \begin{array}{cc} A & B \end{array} \\ \begin{array}{c} A \\ B \end{array} & \begin{pmatrix} 10 & 0 \\ 0 & 1 \end{pmatrix} \end{array} \tag{1.1}$$

and suppose you ask a friend, unacquainted with game theory, how two reasonable persons would play it. The likely reply would be that the obvious choice for both is to play  $A$ . In order to defend the solution concepts you have learnt, you may come out with a story to convince her that, in some cases, playing both  $B$  is also a reasonable outcome. To make the story short

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\*Despite many efforts I got no job, not even as post doc, to contact me please send an email at [sdm.golem@gmail.com](mailto:sdm.golem@gmail.com)

suppose that she agrees that some “brutish power which, hidden, holds sway to common evil”<sup>1</sup>, let’s call it Momus, has convinced both players that they have to play  $B$  because this is what was agreed and there is no way to change the convention. And, of course, if the the game where just a less symmetric one, such as,

$$\begin{array}{cc} & A & B \\ A & (10 & 0) \\ B & (8 & 7) \end{array} \quad (1.2)$$

Momus’s task would be easier. In fact, here, the asymmetry in payoffs makes the “obvious” choice  $A$  a risky one: miscoordination will be more harmful to the  $A$  player than to the  $B$  player.

It is crucial, no matter which of the two games is considered, that players cannot talk to each other before playing. Otherwise they could overcome their fears and agree to coordinate on the “obvious” outcome<sup>2</sup>.

But now your friend, who is deeply convinced that humans have a natural tendency toward cooperation, would point out that even without communication the players could fool Momus and end up playing  $A$ . “Suppose”, she would say “ that the players meet each other very frequently and that the game is played every time - as is often the case in real life, then, even if your Momus told them to play  $B$  all the time and even if explicit communication is impossible, at some point they will switch to  $A$ , to their mutual advantage” “Why?” would you ask. She would reply “Because, if the game is repeated many times, the cost of miscoordination at one or even a few stages won’t matter too much compared to the chance of getting 10 for the rest of the play. So it is very likely that one of them will deviate from Momus’s prescription in order to suggest to the other that there is a better way of playing. And, of course, the other will realize it: after all they are both rational individual, they know that the other one is rational too, if they follow the prescription they will get very little so, as soon as there is a chance to move to a better regime, they will take advantage of it. I agree that this may be a little more difficult in game 1.2 compared to game 1.1: the outcome  $(A, B)$  is very bad for the one who plays  $A$  and maybe acceptable to the  $B$  player. Still, in a frequently repeated game, I am confident that that they would end up in  $(A, A)$ . Actually it is not even necessary that they play the same game at each stage; as long as in every stage the game has an obviously good outcome

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<sup>1</sup>“brutto poter che ascoso al commun danno impera”

<sup>2</sup>Actually game theory can be used to rigorously show this, as done in [9] and [10].

for both players, there will be a natural tendency to agree on playing it as soon as possible”.

The purpose of this paper is to formalize and make rigorous this kind of argument.

Let’s begin with game 1.1 and repeat it  $N$  times,  $N$  large. What are the sensible payoffs that you would expect? The so called folk theorem does not say too much. For instance it is easy to see that even a low average payoff like 1 can be supported by a Nash and even a perfect equilibrium<sup>3</sup>. But if we look at the equilibria constructed to support these low payoffs we will be struck at how odd they are: not only you are supposed to punish blindly every kind of deviation, even those that benefit you, but the punishment may be more costly to you than to the one who is deviating. (You have even to punish a coplayer for *not* punishing you!)<sup>4</sup>.

Punishing those who deviate from an inefficient equilibrium to suggest a mutually advantageous one does not seem to be a very successful attitude, especially from the evolutionary point of view. So you may wonder what evolutionary stability can say in these cases. At first sight the answer seems to be “as little as the folk theorem”, in fact, it is easy to see that the strange (self) punishing equilibria above are neutrally evolutionary stable.

The weakness is not in evolution, however, but in its modelling through neutral stability<sup>5</sup>.

The problem here is that neutral stability overlooks a basic fact: you can punish those who deviate from the equilibrium path if they take a different action, but you cannot punish people who just *think* that they will not punish mutants<sup>6</sup>. More generally, as explained in section 3, mutants who deviate from the population in their behavior on contrafactual events will not be distinguishable from the population and can not be selected away by any means. So there is no reason to believe that at some point they will be driven out from the population<sup>7</sup>. But neutral stability is blind to this phenomenon:

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<sup>3</sup>See [3] for references and extensive discussions on the topic

<sup>4</sup>In case you need experimental evidence to convince yourself that these are unnatural behaviors see [2] and the references therein.

<sup>5</sup>This was already noted in the pioneering work of [4]

<sup>6</sup>Actually people would argue that, if there is no explicit communication, it doesn’t make sense to say how you would react if your coplayer did something you expect with probability zero. Not to say what you would do to a coplayer who plans to do something different.

<sup>7</sup>This type of mutations will be called silent mutations in the paper.

indeed a population may be vulnerable to attacks by “silent” mutants even if its strategy satisfies the formal requirement of NES. Actually, in extensive form games, most components of equilibria contain NES, no matter how bad they are.

A better model of “evolution” or “adaptive learning” etc. is to consider how behavior changes under some process and identify the strategies, if any, on which it eventually settles, the technical term for them are asymptotically stable components. This is the path we will take: evolution selects individual that, in repeated games, try to coordinate on Pareto optimal equilibria.

At first sight, a drawback of the evolutionary approach lies in its dependence on the choice of adaptive process. It is reasonable to assume that myopic players or genetically determined behavior will evolve towards strategies that give higher payoffs, but the class of dynamics with this property, called consistent payoff dynamics in [13], is very large. So equilibrium components may be unstable for a dynamic and asymptotically stable for another.

In fact, the problem can be overcome: in [13] intrinsic conditions were given for a component to be asymptotically stable for just one consistent payoff dynamics. As a consequence, “‘intuitively bad’” components can be selected away as intrinsically evolutionary unstable. This result could, in principle, be applied to our repeated game; however checking the conditions involves some elementary but nontrivial topological concepts and rather long proofs. To make the work accessible to game theorists, this paper uses a more down to earth approach, based on the notion of ESSets, introduced by Thomas. If a set of Nash equilibria is a ESSet not only no mutant can do strictly better than the population but, if a mutant does as well as the population, it has to be already in the set. In this way the phenomenon of silent mutations described above is adequately dealt with.

The main result of the paper is that ESSets consist of asymptotically efficient equilibria. Explicitly, when the game is repeated many times, say  $N$ , the average payoff of strategies in ESSets must converge to the one of the Pareto efficient equilibrium in the stage game. Our attention, in this paper, is focused on games with a Pareto dominant equilibrium, such as Stag Hunting, where the ideas at work can be expressed in a relatively simple form. Extensions to more general games, where more refined type of behaviour comes into play, are discussed in the conclusions and will be dealt in subsequent work.

In the following paragraphs we sketch how the proof proceeds, because

it illustrates very well what we think are some general principles of human behavior that would help in other contests too, as we plan to show in the future.<sup>8</sup> Namely, use actions at the beginning of the play as messages, do not punish those who communicate their willingness to deviate from inefficient equilibria and avoid "babbling".

We start from a component of Nash equilibria and we see what are the constraints that being an ESSet imposes on strategies in it and on their payoffs. We prove that strategies must get at least the payoffs of other strategies that obey the simple rules mentioned above.

First actions can be used to send messages, and using and interpreting them in this way gives an evolutive advantage. In our proof we exploit it in two ways: first an action different from those foreseen by the strategy can be used to signal that you are a mutant, second it can be used to try to generate asymmetric outcomes. So players can first agree that it is worthwhile to experiment better equilibria than the one they are on, than they can use the previous history as an antcoordination device, when antcoordination is needed. The first aspect comes into play in subsection 5.1: A strategy in an ESSet must have at least the same payoffs as one that is "nice to newcomers". Explicitly, a population will drift through silent mutations to one that has the same payoffs but instead of punishing deviations from the equilibrium path it rewards them by playing an efficient equilibrium. So a mutant could first deviate and then trigger the efficient equilibrium. If the population is playing something in an ESSet it must have a payoff at least as high as such a mutant.

But an inefficient strategy may try to defend itself by playing a babbling equilibrium: i.e. it would play all actions with nonzero probability long enough so as to make mutants unrecognizable or recognizable only when it is too late. This is where the antcoordination property of asymmetric histories comes becomes crucial. In section 5.2, "do not babble", we show that strategy in an ESSet can drift to less noisy ones. This is less easy as at a superficial sight would seem, as the examples at the beginning of the subsection show.

Finally what happens when the strategy is "babbling" and the history is symmetric? The answer is "nothing": in section 5.3, "be patient", we show that such a case cannot repeat itself with too high probability, so its

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<sup>8</sup>Some of these ideas were already *in nuce* in [9] and [10], in perspective they were already present in a different form in the seminal paper [4].



contribution to the expected payoffs of strategies can be neglected.

In the end it is shown that all payoffs in an ESSet must be at least as high as a strategy that devotes a certain number of stages  $c(N)$  to communication only, getting the lowest possible payoff in the game, and then gets the Pareto efficient payoff. This is our main result.

It is interesting to study  $c(N)$  more in detail. Not only does the ration  $c(N)/N$  go to zero, implying our result on asymptotic efficiency, but its order of magnitude is rather small, i.e.  $N^{1/2}$ . In an important special case it becomes even smaller, e.g. just one, this is when the game is doubly symmetric, i.e. if the players have the same payoffs. There is a natural explanation of this fact: if the players' interests are totally aligned, it is necessary only one round of the game to convey the message "this equilibrium is suboptimal, we can do better from now on, let's do it" and it is immediately understood. An example shows that the condition of double symmetry is crucial, in games where different payoffs generate a conflict between Pareto dominance and risk dominance more rounds are needed...players do not trust each other at first sight <sup>9</sup>.

Another feature of the function  $c(N)$  is that it is a *universal* function, it depends only on  $N$  and it is the same for all games. In fact this allows to make our result stronger: the stage game can change from one step to the other, provided that its payoffs stay bounded and there is always a unique Pareto efficient equilibrium. This fact is, in my opinion, important because it answer a potentially fatal objections to the evolutionary approach: long repetitions of the same game happen seldom in life so, how can the evolutionary force be strong enough to generate an appreciable speed of evolution? The answer is that in our interactions the game may change but it often keeps the same structure, say a coordination game with the right thing to do for both. In this interpretation the rules of before (be nice to newcomers etc.) may be interpreted as phylogenetically evolved "rules of thumb" that say "when playing a coordination game be nice" etc.

In this discussion we dealt with finitely repeated games, the case of infinitely repeated with discount is done in section 6

An effort has be done to keep the exposition to a level accessible to most game theorists, the proofs are often not straightforward and require some willingness to concentrate on them but the prerequisites do not go beyond the definition of limit. The ones conceptually more relevant are in the paper,

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<sup>9</sup>See[1]

the more technical ones in the Appendix, calculus exercises to fill the details are left to the reader.

## 2 The class of games

In this section we set the notation and we define the class of games we will study: symmetric two players games that will be repeated a finite number of times, denoted by  $N$ .

### 2.1 Stage Game

We begin with the stage game. Let  $G = (\mathbf{A}, u)$  be a symmetric two-players game, where  $\mathbf{A}$  is the finite set of pure strategies available to each player, and  $u : \mathbf{A}^2 \rightarrow \mathbf{R}$  is the payoff function: for  $a, b \in \mathbf{A}$ ,  $u(a, b)$  is the payoff to a player who uses pure strategy  $a$  against pure strategy  $b$ . Let  $\Delta(\mathbf{A})$  denote the set of mixed strategies, that is, the unit simplex spanned by  $\mathbf{A}$ , then  $u$  extends to a function  $u : [\Delta(\mathbf{A})]^2 \rightarrow \mathbf{R}$  in the usual way.

Note the difference with respect an (asymmetric) two-players game  $(\mathbf{A}_1, \mathbf{A}_2, u_1, u_2)$ . In this case if player 1 plays  $a$  and player 2 plays  $b$ , the payoff to player 1 is  $u_1(a, b)$  and the payoff to player 2 is  $u_2(a, b)$  (not  $u_2(b, a)$ !). So a symmetric game is a two-players game such that  $u_1(x, y) = u_2(y, x)$  and this quantity is denoted by  $u(x, y)$ . We also remind the reader that a doubly symmetric game is a symmetric game in which the two players get the same payoff, i.e.  $u(x, y) = u(y, x)$ . From now on strategies in the symmetric game will be called “Actions”.

**Definition 2.1.** *Given a symmetric stage game  $G$ , let  $\max_{x \in A} u(x, x) = P$ ,  $\max_{x, y \in A} \frac{u(x, y) + u(y, x)}{2} = R$  and  $\min_{(x, y) \in A^2} u(x, y) = Q$ ,  $P$  will be called the symmetric efficient payoff,  $R$  will be called the efficient payoff and  $Q$  will be called the worst outcome. The difference  $D = P - Q$  will be called the worst loss. We say that an action  $a$  such that  $a \in \text{Argmax}_{x \in A} u(x, x)$  is an optimal action. An action pair  $(b, c)$  such that  $(b, c) \in \text{Argmax}_{x, y \in A} [u(x, y) + u(y, x)]$  is an optimal action pair*

There are two generic cases:

1. Either  $P = R$ , so there is a single action, called the optimal one realizing the efficient average payoff as in Stag Hunting,

2. or  $P < R$ , so the efficient payoff obtains in an antisymmetric outcome, as in the Hawk-Dove game.

An important class of generic symmetric games is the one in which the efficient payoff is not only symmetric but also a Nash equilibrium, it is the object of the next definition.

**Definition 2.2.** *We say that a symmetric game  $(G, u)$  is a Paretian Game if the outcome of an optimal action  $(a, a)$  strictly Pareto dominates all the asymmetric ones, i.e.*

$$u(a, a) = \max_{(x,x) \in \mathbf{A}} u(x, x) > \max_{(x,y) \in \mathbf{A}} u(x, y)$$

Note that we do not require the optimal action to be unique, each optimal action gives a symmetric strict Nash equilibrium  $(a, a)$ . Examples of Paretian Games are coordination games, e.g. stag hunting, but also more general ones such as the one given below.

$$\begin{array}{c} a & b & c & d \\ a & \left( \begin{array}{cccc} 10 & 0 & 3 & 1 \\ 9 & 10 & 0 & 8 \\ 9 & 8 & 2 & 9 \\ 9 & 8 & 7 & 4 \end{array} \right) \\ b \\ c \\ d \end{array}$$

## 2.2 Finitely repeated games

Now we think of repeating  $N$  times the stage game  $G$ , we will denote the repeated game by  ${}^N G$ . The notation developed below is adapted from the one in [3], some changes are principally due to the fact that time begins at one and is finite.

**Time:** Let the set of time periods,  $t$ , be the  $\{1 \dots N\}$ .

**Perfect monitoring:** Assume *perfect monitoring* in the sense that all actions in earlier periods are observed before the current period's actions are taken (simultaneously).

**Histories:** Let the set of *histories* in  ${}^N G$  be

$$H = \{\emptyset\} \cup \bigcup_{t=1}^{t=N-1} H_t \tag{2.1}$$

it is the union of a one element set, the zero history,  $h_0 = \aleph$ , and the  $H_t = (\mathbf{A}^2)^t$  for each  $t \geq 1$ . For each period  $t$ ,  $H_t$  is the set of all possible action profiles that might have been taken up to  $t$  included:  $[(a_1, b_1), (a_2, b_2), \dots, (a_t, b_t)]$ . A history is thus a finite string of action pairs, across all earlier periods. Each such history uniquely defines a subgame, and each subgame uniquely defines a history. Given a history at time  $t$ ,  $h_t = [(a_1, b_1), (a_2, b_2), \dots, (a_t, b_t)]$ , we define its mirror history as  $\bar{h} = [(b_1, a_1), (b_2, a_2), \dots, (b_t, a_t)]$ , this is the history obtained by reversing the role of the two players. If you have played the  $as$  and your opponent has played the  $bs$ , you will see the  $h_t$  above and your opponent will see  $\bar{h}_t$ . If  $h_t = \bar{h}_t$  we will say that  $h_t$  is symmetric. We will sometime have to use partial histories defined on segments of time, e.g.  $k_{t,s} = [(a_t, b_t), \dots, (a_s, b_s)]$ . Given a history  $h_t = [(a_1, b_1), (a_2, b_2), \dots, (a_t, b_t)]$  and a couple of actions  $(a, b)$  we define the composed history  $h_t \circ (a, b) \in H_{t+1}$  as  $h_t \circ (a, b) = ((a_1, b_1), (a_2, b_2), \dots, (a_t, b_t), (a, b))$ , in the same way given another history  $k_{t+1,s} = [(a_{t+1}, b_{t+1}), \dots, (a_s, b_s)]$  we define  $h_t \circ k_{t+1,s} = [(a_1, b_1), \dots, (a_t, b_t), (a_{t+1}, b_{t+1}), \dots, (a_s, b_s)]$ . If  $g_s = h_t \circ k_{t+1,s}$  for some  $k_{t+1,s}$ , we will say that  $h_t$  is an “ancestor” of  $g_s$  and denote this relation by  $h_t \triangleright g_s$ .

**Strategies:** A *behavior strategy*  $\sigma$  for a player is a mapping from histories to randomized actions in  $G$ :

$$\sigma : H \rightarrow \Delta(\mathbf{A}). \quad (2.2)$$

So, if, at time  $t$ , you see history  $h_t$ , strategy  $\sigma$  is telling you to play the randomized action  $\sigma(h_t)$  and if your opponent is using strategy  $\tau$ , she will be playing  $\tau(\bar{h}_t)$  against you. Note that, if  $h_t$  is an asymmetric history, we will have in general  $\tau(\bar{h}_t) \neq \sigma(h_t)$ , even if  $\tau$  coincides with  $\sigma$ . Given an action  $a \in A$  we will denote with  $\sigma(h_t)(a)$  the probability that  $a$  is played at  $t$ , conditional on  $h_t$ . The space of behavior strategies will be denoted by  ${}^N\mathcal{B} = \prod_{h \in H} \Delta(\mathbf{A})$ , a product of simplexes. Strategies prescribing pure actions at each history will be called pure.

**Plays:** A play  $r_t = [(a_1, b_1), \dots, (a_t, b_t)]$  is an element of  $(\mathbf{A}^2)^t$ , it is what has been played up to period  $t$ . For general information structures, it is advisable to distinguish plays and histories, as done in [3]. When perfect monitoring is assumed, as in this paper, they coincide.

**Probabilities:** Each behavior-strategy profile  $(\sigma, \tau)$  recursively defines a probability distribution over the plays, as follows. An application of  $\sigma$  and  $\tau$  to  $h_0$  defines a probability distribution over the set of action pairs in period 1. For each such realization,  $h_1 = (a_1, b_1)$ , an application of  $\sigma$  and  $\tau$  to  $h_1$  defines a probability distribution over the set of actions in period 2, etc. The measure projects on partial plays. Probabilities for histories are defined in the same way. Even when the probability of a history is zero, probabilities can be conditioned on it without ambiguity. The probability that play (or history)  $r_t$  will be played by the strategy profile  $(\sigma, \tau)$ , will be denoted by  $p^{(\sigma, \tau)}(r_t)$ . We will also need the probability that the partial play  $r_{t+1, N} = [(a_{t+1}, b_{t+1}), \dots, (a_N, b_N)]$  is played, conditional on on history  $h_t$  being realized, it is written as  $p_{h_t}^{(\sigma, \tau)}(r_{t+1, N})$ . When the two strategies coincide we will write  $p^\sigma(h_t)$  for  $p^{(\sigma, \sigma)}(h_t)$ . Note that, by exchanging the two players,  $p^{(\sigma, \tau)}(h_t) = p^{(\tau, \sigma)}(\bar{h}_t)$  and so  $p^\sigma(h_t) = p^\sigma(\bar{h}_t)$ .

**Payoffs:** Given a play  $r_t = [(a_1, b_1), \dots, (a_t, b_t)]$  its payoff is

$$U(r_t) = \sum_{i=1}^t u(a_i, b_i) \quad (2.3)$$

it is what a player playing the  $a$ 's earns against the one playing the  $b$ 's from period 1 to period  $t$  inclusive. In a similar way we define  $U(h_t)$  for a history. The payoff of strategy  $\sigma$  against strategy  $\tau$ , denoted by  ${}^N U(\sigma, \tau)$ , will be :

$${}^N U(\sigma, \tau) = \sum_{r_t} p^{(\sigma, \tau)}(r_t) U(r_t) \quad (2.4)$$

We will also use the *conditional payoff*

$${}^N U_{h_t}(\sigma, \tau) = \sum_{r_{t+1, N}} p_{h_t}^{(\sigma, \tau)}(r_{t+1, N}) U(r_{t+1, N}) \quad (2.5)$$

where

$$U(r_{t+1, N}) = \sum_{i=t+1}^N u(a_i, b_i) \quad (2.6)$$

it is the payoff that  $\sigma$  expects against  $\tau$  in the subgame defined by history  $h_t$ . We will simply write  ${}^N U(\sigma)$  and  ${}^N U_{h_t}(\sigma)$  for  ${}^N U(\sigma, \sigma)$  and  ${}^N U_{h_t}(\sigma, \sigma)$  respectively.

In many of the proofs and in some examples we will use a family of auxiliary games, called forward games, they will be our main technical tool. The reader who wants to follow the technical details should have now a quick look at appendix A.

### 3 Evolutionary stability concepts

Let now fix  $G$  the stage game and  ${}^N G$  the  $N$  repeated game. Remember that  ${}^N \mathcal{B} = \prod_{h \in H} \Delta(A)$  is the space of behavior strategies for  ${}^N G$ . The concept of ESSet was introduced by Thomas in [6], its definition in the case of behavior strategies is below:

**Definition 3.1.** *A non-empty and closed set  $X \subset {}^N \mathcal{B}$  is an evolutionarily stable set (an ESSet) for  ${}^N G$  if for each  $\sigma \in X$  there exists some  $\delta > 0$  such that  $u(\sigma, \sigma') \geq u(\sigma', \sigma')$  for all  $\sigma'$  in the best reply to  $\sigma$  within distance  $\delta$  from it, with strict inequality if  $\sigma' \notin X$ .*

An important property of ESSets is that when a mutant plays the best reply to the population and, when meeting itself, gets the same payoff as the population does, this mutant must be in the set. We will need this property only for mutations of a minimal type, defined in the following proposition:

**Definition 3.2.** *We say that  $\sigma'$  is an elementary mutation of  $\sigma$  at  $h_t$  if  $\sigma'$  differ from  $\sigma$  only on the history  $h_t$ , or its mirror  $\bar{h}_t$ , i.e  $\sigma(k_s) = \sigma'(k_s)$  if  $k_s \neq h_t, \bar{h}_t$ .*

Elementary mutations do not require that mutants coordinate their changes across periods and so are, in a sense, the most simple and likely to occur.

We prove easily

**Proposition 3.1.** *Let  $\sigma \in X$ ,  $X$  ESS and let  $\sigma'$  be an elementary mutation of  $\sigma$  at  $h_t$ , then:*

$${}^N U(\sigma', \sigma) \leq {}^N U(\sigma, \sigma) \quad (3.1a)$$

$$\text{if } {}^N U(\sigma', \sigma) = {}^N U(\sigma, \sigma) \text{ then } {}^N U(\sigma', \sigma') \leq {}^N U(\sigma, \sigma') \quad (3.1b)$$

$$\text{if } {}^N U(\sigma', \sigma) = {}^N U(\sigma, \sigma) \text{ and } {}^N U(\sigma', \sigma') = {}^N U(\sigma, \sigma') \text{ then } \sigma' \in X \quad (3.1c)$$

The proof is the same as for normal form games, note that it does not work for larger mutations due to the multilinearity of the payoff function.

We will use only this property of ESS and so we will prove something stronger than our statement, i.e. our upper bound on payments will hold for sets that are immune to attacks by mutants at just one point of the strategy.

We make this fact explicit in the following

**Definition 3.3.** *We say that a closed set  $X$  of behavior strategies is an ESSp if for  $\sigma \in X$ , and  $\sigma'$  an elementary mutation of  $\sigma$  at history at  $h_t$ , we have:*

$${}^N U(\sigma', \sigma) \leq {}^N U(\sigma, \sigma) \quad (3.2a)$$

$$\text{if } {}^N U(\sigma', \sigma) = {}^N U(\sigma, \sigma) \text{ then } {}^N U(\sigma', \sigma') \leq {}^N U(\sigma, \sigma') \quad (3.2b)$$

$$\text{if } {}^N U(\sigma', \sigma') = {}^N U(\sigma, \sigma') \text{ and } {}^N U(\sigma', \sigma) = {}^N U(\sigma, \sigma) \text{ then } \sigma' \in X \quad (3.2c)$$

So, by proposition 3.1, every ESSet set is a ESSp. In this paper assumptions will be always the minimal ones, i.e. that the set is an ESSp, and conclusions will be the strongest ones, i.e. the set is an ESSet <sup>10</sup>.

It is not difficult to see that a singleton set  $X = \{\sigma\}$  is an ESSet if and only if the strategy  $\sigma$  is an evolutionary stable one.

An important application of proposition 3.1 is to mutations that do not change the behavior of  $\sigma$  on zero probability histories. The precise definition is

**Definition 3.4.** *Let  $\sigma$  be a strategy in  ${}^N G$ , we say that  $\sigma'$  is a silent mutation of  $\sigma$  if*

$$p^\sigma(h_t) \neq 0 \Rightarrow \sigma'(h_t) = \sigma(h_t) \quad (3.3)$$

The important property of silent mutation is stated in the next proposition

**Proposition 3.2.** *If  $\sigma'$  is a silent mutation of  $\sigma$  then*

$$\forall h_t, p^\sigma(h_t) = p^{\sigma'}(h_t) = p^{(\sigma, \sigma')}(h_t) = p^{(\sigma', \sigma)}(h_t) \quad (3.4a)$$

$${}^N U(\sigma, \sigma) = {}^N U(\sigma', \sigma) = {}^N U(\sigma, \sigma') = {}^N U(\sigma', \sigma') \quad (3.4b)$$

$$\sigma \in X, X \text{ ESS} \Rightarrow \sigma' \in X \quad (3.4c)$$

$$\sigma \in X, X \text{ ESSp} \Rightarrow \sigma' \in X \quad (3.4d)$$

---

<sup>10</sup>The study of the general relations of ESSets and ESSp in behavior or mixed strategies, their corresponding agent normal, reduced normal and normal form is an entertaining exercise that goes outside the scope of this paper and will be done elsewhere.

The proof of equations (3.4a) and (3.4b) is obvious from the definition of silent mutation. Implication (3.4c) follows from (3.4d) because every ESSet is a ESSp. To prove (3.4d) we use induction: choose some ordering of the zero probability histories and mutate  $\sigma$  step by step so as to obtain a sequence  $\sigma_0 = \sigma, \sigma_1, \dots, \sigma_n = \sigma'$  of silent mutations such that each  $\sigma_{i+1}$  is an elementary mutation of  $\sigma_i$ . Then apply proposition 3.1 at each step using equations (3.4a) and (3.4b).

**Definition 3.5.** *We say that  $\sigma'$  is a submutation of  $\sigma$  if*

$${}^N U(\sigma', \sigma) = {}^N U(\sigma', \sigma) \quad (3.5a)$$

$${}^N U(\sigma', \sigma') = {}^N U(\sigma', \sigma') \quad (3.5b)$$

$${}^N U(\sigma', \sigma') \leq {}^N U(\sigma, \sigma) \quad (3.5c)$$

Conditions (3.5a) and (3.5b) together imply that if  $\sigma \in X$ , an ESSp set, then  $\sigma' \in X$ , too. A submutation is a dangerous and silly mutant: it can enter the population by making both the population and itself, worse. Still they are useful because, if we can find a lower bound for the payoff of the submutation, this will hold for the original strategy too.

**Definition 3.6.** *Given a game  $G$  and the corresponding repeated game  ${}^N G$ , we say that  $\pi$  is an ESS payoff of  ${}^N G$  if there exist an ESSet  $X$  for  ${}^N G$  and a  $\sigma \in X$  such that  ${}^N U(\sigma) = \pi$ .*

*We say that  $\bar{\pi}$  is an average ESS payoff for  ${}^N G$  if there is an ESSet  $X$  for  ${}^N G$  and a  $\sigma \in X$  such that  ${}^N U(\sigma)/N = \bar{\pi}$ . Corresponding definitions hold for ESSp payoffs.*

## 4 Results for finitely repeated games

We can now state our results. The main technical result is proposition 4.1 that shows that the average ESS payoffs for  ${}^N G$  are asymptotically efficient, i.e. they cannot be smaller than the symmetric efficient payoff when  $N$  goes to infinity. The result is stronger than this, in fact there is a universal function  $c(N)$  independent of  $G$ , that measures the convergence rate.

Moreover, if  $\sigma$  is a strategy in an ESSp set that uses only pure actions the bound on the convergence rate can be further improved and the proof is particularly simple. We state the result separately in proposition 4.2.



Proposition 4.1 is then applied in theorem 1 to characterize ESS payoffs in paretian games. Extensions and further applications will be discussed in the conclusions.

**Proposition 4.1.** *There is a universal function  $c(N)$  with  $\lim_{N \rightarrow \infty} \frac{c(N)}{N^{1/2+\varepsilon}} = 0$  for all  $\varepsilon > 0$ , such that:*

*If  $G$  is a stage game with efficient symmetric payoff  $P$  and with worst loss  $D$  and if  $\Pi(N) = \inf \{^N U(\sigma) | \sigma \in X, X \text{ ESSet for } ^N G\}$  then:*

$$\Pi_N \geq P \cdot N - c(N) \cdot D \quad (4.1)$$

*in particular, the limit of the average payoff per stage of a strategy in an ESS must be at least  $P$  when the number of repetitions goes to infinity. More precisely, if  $X_N$  is a sequence of ESS for  $^N G$  and, for every  $N$ ,  $\sigma_N \in X_N$ , we have:*

$$\liminf_{N \rightarrow \infty} \frac{^N U(\sigma_N)}{N} \geq P \quad (4.2)$$

In case the strategy is a pure one we can say even more (and the proof is much easier), in fact  $c(N)$  turns out to be one:

**Proposition 4.2.** *If  $X$  is an ESS for  $G_N$  and if  $\sigma \in X$  uses only pure actions :*

$$^N U(\sigma) \geq N \cdot P - D \quad (4.3)$$

The function  $c(N)$  has an interesting interpretation: ESS payoffs are as if, out of  $N$  rounds,  $c(N)$  of them were used in conveying messages between players while in the others players play optimally.

If the strategy is a pure one just one round of communication is needed: the mutant makes herself recognizable and then players play optimally. If strategies are mixed something more interesting happens: the order of magnitude of  $c(N)$  is approximately  $N^{1/2}$ . This is the same as the order of magnitude of the average standard deviation of statistics on actions. It is as if the players were trying to understand if the deviations of their partner are due to random fluctuations or are intentional attempts to convey a message. This is, for the moment, only a suggestive interpretation: the *a priori* probability of a mutant in our model is zero so it can be recognized only after that other mutations have made the strategy drift to a non completely mixed one. We plan to investigate the question in further work, where a continuous stream of non zero probability mutants will be assumed.

**Theorem 1.** *Let  $G$  be a paretian game with optimal action  $a$ , optimal payoff  $P$  and worse loss  $D$  and let its  $N$  repetition be  ${}^N G$ . Then*

1. *The (possibly disconnected) set  $\{\sigma \in {}^N \mathcal{B} \mid {}^N U(\sigma) = N \cdot P\}$  consisting of strategies playing always an optimal action against themselves is an ESS.*
2. *If  $\sigma \in X$ ,  $X$  an ESSp, then  ${}^N U(\sigma) \geq N \cdot P - c(N) \cdot D$*

Where  $c(N)$  is the same function as in proposition 4.1.

**Proof:** The existence part is easy, if the game is paretian no action or couple of actions can get a higher payoff than  $P$  and  $P$  obtains only when an optimal action is played against itself. So, if  $\sigma \in X$  and  $\tau \notin X$  one has the strict inequality  ${}^N U(\tau, \sigma) < {}^N U(\sigma, \sigma)$  and the result follows. Part two is proposition 4.1 ■

Strictness of the optimal action is necessary. This says the repeated game has at least an ESS and that all of them are approximately efficient. Note that, even if the optimal action is unique, there are in general other ESSets than playing strictly optimally, for instance if  $G$  is generic,  $a$  is the unique optimal action and  $(b, b)$ ,  $b \neq a$  is another strict nash equilibrium, the set  $X_i = \{\sigma \mid \sigma(h_t) = a \text{ if } t \neq i \text{ and } p^\sigma(h_t) > 0 \text{ and } \sigma(h_i) = b\}$  of strategies playing  $a$  on the equilibrium path at all times but, say, at  $i$  when  $b$  is played is an ESS.

When the efficient payoff  $R$  is larger than  $P$  and so is given by a couple of different actions, these are not the best possible results. In fact efficiency would consist first in trying to produce an asymmetric history, so that players can be assigned roles, and then playing the asymmetric efficient equilibrium. This is the object of next proposition.

**Proposition 4.3.** *There is a universal function  $d(N)$  with  $\lim_{N \rightarrow \infty} \frac{c(N)}{N^{1/2+\varepsilon}} = 0$  for all  $\varepsilon > 0$ , such that: if  $G$  is a stage game with efficient payoff  $R$  and with worst loss  $D$  and if  $\pi_N$  is an ESS payoff of  ${}^N G$  then:*

$$\pi_N \geq R \cdot N - d(N) \cdot D \tag{4.4}$$

The proof is a simple adaptation of the one of proposition 4.3. It will not be given in the paper because the proposition, in itself, is of little use without an existence result, see the discussion in section 8

## 4.1 Double symmetric games

For doubly symmetric games, i.e. those in which each outcome gives the two players the same payoff, intuition suggests that the evolution towards cooperation should be quicker, given that interests are totally aligned. In fact the measure of communication inefficiency here is 1.

**Theorem 2.** *If the stage game  $G$  is a doubly symmetric one and if  $\sigma \in X$ ,  $X$  an ESSp for  ${}^N G$ , then:*

$${}^N U(\sigma) \geq N \cdot P - D \quad (4.5)$$

For the proof, whose details are given in the Appendix, it is crucial that the game is doubly symmetric, as the following counterexample shows.

Let the stage game be

$$\begin{array}{c} a \quad b \quad c \\ a \begin{pmatrix} 10 & 1 & 1 \\ 9 & 0 & 3 \\ 9 & 3 & 0 \end{pmatrix} \\ b \\ c \end{array} \quad (4.6)$$

and repeat it two times.

Consider the strategy:

$$\sigma(h_t) = \begin{cases} 1/3a + 1/3b + 1/3c & \text{if } h_t = h_0 = \aleph \\ 1/2b + 1/2c & \text{if } h_t = (a, a), (b, b) \text{ or } (c, c) \\ c & \text{if } h_t = (a, b), (a, c) \text{ or } (b, c) \\ b & \text{if } h_t = (b, a), (c, a) \text{ or } (c, b) \end{cases} \quad (4.7)$$

It is an isolated Nash equilibrium, and it is relatively inefficient and in particular  ${}^2 U(\sigma) = 6.5 < 2 \cdot P - D = 2 \cdot 10 - 10 = 10$ . Nevertheless as a set it is an ESSet, actually it is even a strictly evolutionary stable strategy. The formal proof of these facts is in the appendix, here we just sketch the key point, to illustrate the role of asymmetry in making it stable albeit relatively inefficient.

Let's consider how a mutant,  $\tau$ , could drive the population out by deviating in the first stage only (in the appendix it will be seen that changes in stage two make the arguments even stonger). To the payoffs in stage one we add the payoffs that would be obtained after the corresponding history in stage two (this is so the forward game, see appendix A for the formal definition.)

$$\begin{array}{c}
a \\
b \\
c
\end{array}
\begin{array}{ccc}
a & b & c \\
\left( \begin{array}{ccc}
11.5 & 4 & 4 \\
12 & 1.5 & 6 \\
12 & 6 & 1.5
\end{array} \right)
\end{array}
\tag{4.8}$$

suppose that, a mutant  $\tau$  is trying to improve on  $\sigma$ . It would be tempting to raise the weight of playing  $a$  in the first stage. Indeed if  $\tau(\aleph) = a$  and  $\tau$  coincides with  $\sigma$  in the stage two, we have  ${}^2U(\tau, \tau) = 11.5 > 6.5 = {}^2U(\sigma, \sigma)$ . Unfortunately  ${}^2U(\sigma, \tau) = 111/3$  is still greater and so  $\tau$  will not be able to enter the population.

The conceptual reason for this is that, due to the lack of double symmetry,  $a$  is a good but risky strategy: if you play  $a$  and the opponent doesn't, she gets a high payoff while you lose a lot, and since the population is playing all actions with the same probability this will be likely to happen.

So a mutant naively deviating to  $a$  will not be able to drive the population out, the benefit it gives to the population are higher than the benefit it gives to itself. In fact the stage game contains a stag hunting game and the forward game even a prisoner's dilemma.

## 5 Proofs

In this section we give the proof of proposition 4.1 and of proposition 4.2.

We start from an arbitrary strategy  $\sigma$  in an ESSp,  $X$ , that will be fixed through all the proof. We will first move  $\sigma$  in  $X$  via silent mutations and submutations until we will reach a new strategy  $\sigma'$ , particularly easy to study. Then we will show that the payoff of this one is higher than  $N \cdot P - c(N)D$ . Since silent mutations do not change  ${}^N U(\sigma)$  and submutation may only decrease it,  $\sigma$  satisfies the lower bound, too.

The proof consists of three parts, each of them related to a different aspect of evolution.

In subsections 5.1 we show that the strategy can evolve within  $X$  into an *open minded* one, i.e. one that upon recognizing a mutant kindly plays the optimal action. The process does not change the payoff. This is already enough to show that, in  $X$ , strategies with non-full support at the early stages of the game have high payoffs.

In subsection 5.2 we deal with strategies with full support. We concentrate on what happens after an asymmetric history. It is possible, without

leaving  $X$  of course, to exploit the history as an (anti)coordination device and to assign roles to the players, so that they employ asymmetric actions against each other. The process reminds, in its simpler form, the passage from the symmetric mixed strategy to the asymmetric pure strategies in the Hawk-Dove game. There is, however, an important additional fact: our goal is not to increase the payoffs but to reduce the support of the strategy and then to apply the results of subsection 5.1. In fact, what we want are submutations and so we want to avoid that, when a mutant enters the population, both the payoffs of the mutant and that of the population increase by the same amount when playing against the mutant itself. This is the object of a detailed and technical analysis in the appendix, where we show that it is possible to decrease the support using submutations only.

In subsection 5.3 we deal with the remaining case: strategies that have full support after symmetric histories. Since these have full support, there is a nonzero probability that the players play different strategies and so generate an asymmetric outcome to which the reasonings in subsection 5.2 can be applied. We estimate this probability in terms of the payoffs and we show that, if we assume that they are low, this probability must be high.

A final argument, given in subsection 5.4, that uses the optional sampling theorem, gives the result.

At the beginning of the first three subsections we discuss informally some examples in order to introduce the concepts that will be used.

## 5.1 Be kind to newcomers

In this subsection the focus is on pure actions. Let's see first in an example how they lead to efficient play.

Consider the stage game

$$\begin{array}{cc} & C & D \\ \begin{array}{c} C \\ D \end{array} & \begin{pmatrix} 10 & 0 \\ 0 & 7 \end{pmatrix} & \end{array} \quad (5.1)$$

and suppose we repeat it  $N$  times with  $N$  at least 4. It should be obvious that there are ESS sets for the game, e.g. playing  $C$  all the time and getting  $10N$ , the best possible payoff.

We claim that if  $X$  is an ESS set and  $\sigma$  a *pure* strategy in it, the payoff of  $\sigma$  cannot depart too much from efficiency, in fact,  $\sigma$  must earn at least

$10(N - 1)$  against itself. To see this, let  $\sigma'$  be the strategy coinciding with  $\sigma$  except that it is "open minded", i.e. if it sees something outside the equilibrium path, and so realizes that the coplayer is a mutant, it will play  $C$  against it. It is clear that  $\sigma'$  is a silent mutation of  $\sigma$  and so, by proposition 3.2, we have  $\sigma' \in X$ , earning the same payoff as  $\sigma$ .

Let now  $\tau$  be a mutant that in the first stage plays an action different from the one that  $\sigma'$  plays; this is possible because we assumed that  $\sigma$ , and so  $\sigma'$  plays pure actions. In the other stages  $\tau$  plays  $C$  all the time. Let's see what happens to  $\tau$  when it meets  $\sigma'$ . At  $t = 1$ , it earns 0, suffering the worst possible loss in  $G$ . Still it was worth of it: now  $\sigma'$  has recognized it and, being open minded, is nice to it (and to itself...) by playing  $C$ ; so, at  $2, 3, \dots, N$  it earns again 10. Altogether this makes  $(N - 1)10$ . So, if  $\sigma'$  has to be a best reply to itself it must earn at least as much, and the same holds for  $\sigma$ .

This simple mechanism is used by propositions 5.1 etc. below to prove the general case and something more. It is enough, indeed, that one of the  $\sigma(h_t)$  has not full support in some early stage of the game for the conditional payoff  $U_{h_t}$  to be high, the sooner this happens the higher the conditional payoff will be.

Note that our result does not say anything about how the high payoff is reached. In the up to 99 times repeated stage game:

$$\begin{array}{cc} & C & D \\ \begin{array}{c} C \\ D \end{array} & \begin{pmatrix} 10 & 0 \\ 0 & 9.9 \end{pmatrix} & \end{array} \quad (5.2)$$

the strategy playing,  $(D, D)$  all the time is in an ESSet. Of course, if  $G$  is generic and paretian, the optimal action  $a$  will be unique and so, when  $N$  goes to infinity, the only way to achieve high payoffs will be to play  $a$  often enough.

We now begin with the formal proof.

Let  $G$  be a symmetric game and with  $a$ ,  $P$  and  $Q$  and  $D$  as in definition 2.1. First note that we can subtract  $Q$  from all the payoffs and divide the result by  $D$ . This does not change the structure of Nash equilibria or ESSets of course, and rescales all payoffs in sight. So, without loss of generality, we can assume in the course of our proof that  $P = 1$ ,  $Q = 0$  and  $D = 1$ <sup>11</sup>. For

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<sup>11</sup>In the examples we will continue to use larger integers, to avoid dealing with too many fractions

further reference we collect the assumptions we make

- Assumption 5.1.**
1.  $G$  is a symmetric game, with  $P = 1$ ,  $Q = 0$  and so  $D = 1$ .
  2. The set  $X$  is an ESSp set for  ${}^N G$ , the  $N$  times repeated game.
  3.  $\sigma \in X$  is a behavior strategy for  ${}^N G$ .

We first formalize the concept of "open minded" mutation. A mutant whose behavior on the equilibrium path does not deviate from the one of the population but, when facing somebody who deviates, tries to cooperate with her by playing  $a$ .

**Definition 5.1.** We say that  $\sigma'$  is an open minded mutation of  $\sigma$  if  $\sigma'(h) = \sigma(h)$ , when  $p^\sigma(h) > 0$  and  $\sigma'(h) = a$  when  $p^\sigma(h) = 0$

It is obvious that open minded mutants are silent mutants, as we will need this fact often we state it formally:

**Proposition 5.1.** Let  $X$  be an ESSp and let  $\sigma \in X$ , let  $\sigma'$  be an open minded mutation of  $\sigma$ , then  $\sigma'$  is a silent mutation of  $\sigma$  and so, by proposition 3.2,  $\sigma' \in X$  and  ${}^N U(\sigma) = {}^N U(\sigma')$ .

The proposition allows us to assume, without loss of generality, that  $\sigma$  is open minded, we will do it in the following.

If we want to escape from an inefficient equilibrium, apart from being kind to newcomers, we should also avoid noisy actions:

**Definition 5.2.** We say that a strategy  $\sigma$  is not babbling at history  $h_t$  if  $\text{supp}(\sigma(h_t)) \neq \mathbf{A}$

Non babbling, open minded histories allow mutants to make themselves recognizable and coordinate optimally with them, so they must themselves have high payoffs as the next proposition shows:

**Proposition 5.2.** Let  $\sigma \in X$ ,  $X$  ESS, and  $\sigma$  open minded, assume that it does not babble at  $h_t$ , then  $U_{h_t}(\sigma) \geq N - t - 1$ .

**Proof:** Let  $x \notin \text{supp}(\sigma(h_t))$  and let  $\tau$  be the elementary mutation that plays  $x$  on  $h_t$  and coincides with the open minded  $\sigma$  otherwise. When playing against  $\sigma$  and conditional on  $h_t$ ,  $\tau$  plays  $x$  at step  $t + 1$ , earning at least zero. At this point  $\sigma$  will realize that  $\tau$  is not another “sigma” and, being open minded, will play  $a$  from next step,  $t + 2$  on, so that  ${}^N U_{h_t}(\tau, \sigma) \geq N - t - 1$ . Since  ${}^N U_{h_t}(\sigma, \sigma) \geq {}^N U_{h_t}(\tau, \sigma)$  by the definition of ESSp set, the result follows. Note that we do not need  $p^\sigma(h_t) \neq 0$ , actually, if  $p^\sigma(h_t) = 0$ , we have the stronger inequality  $U_{h_t}(\sigma) \geq N - t$  because of open mindedness. ■

By now we have already proved proposition 4.2: just apply proposition 5.2 to  $t = 0$ .

## 5.2 Don’t babble

Now things become harder: the simple arguments of the preceding section fail if strategy prescribes full support at the early stages of the game. This makes mutants unrecognizable and prevents them from driving the population out.

We give an example of how such a strategy looks like.

Consider the stage game:

$$\begin{array}{cc} & C & D \\ \begin{array}{c} C \\ D \end{array} & \begin{pmatrix} 10 & 6 \\ 9 & 7 \end{pmatrix} & \end{array} \quad (5.3)$$

and repeat it two times. Let  $\sigma$  be defined as follows: in the first stage it plays  $1/2C + 1/2D$ , in the second one it plays  $C$  on asymmetric histories (namely  $(C, D)$  and  $(D, C)$ ) and  $D$  on the symmetric ones ( $(C, C)$  and  $(D, D)$ ). This strategy is an isolated Nash equilibrium and the singleton  $\{\sigma\}$  is an ESSet. In fact if  $\tau$  is a best reply to it, at time 2 strategy  $\tau$  must coincide with  $\sigma$ , because the unique best replies to  $C$  and  $D$  respectively are themselves. At stage one the forward game, defined in section A, i.e. the game obtained adding to the present payoffs the future ones, i.e. those that the strategy would earn if the outcome had been realized, is

$$\begin{array}{cc} & C & D \\ \begin{array}{c} C \\ D \end{array} & \begin{pmatrix} 17 & 16 \\ 19 & 14 \end{pmatrix} & \end{array} \quad (5.4)$$

It is of the Hawk-Dove type: if  $\tau$  is doing anything different from  $1/2C + 1/2D$ , it will earn against itself less than what  $\sigma$  would do. So we have



${}^N U(\tau, \tau) < {}^N U(\sigma, \tau)$ , for all best replies  $\tau$  to  $\sigma$  different from  $\sigma$ : we have no choice but to live with our expected payoff of 16.5 <sup>12</sup>.

Actually the strategy  $\sigma$  above is strongly stubbornly stable: it is an evolutionary stable strategy, it is an ESSet, it is an asymptotically stable limit point, for a large class of dynamics... all this provided we restrict ourselves to *symmetric* strategies. If we allow asymmetric ones its index will become  $-1$  instead of  $1$  and the strategy will become unstable, in every sense you want. see [13].

And this is what can save us in longer games: if the game is just a segment of a longer one and has been preceded by an asymmetric outcome we have a chance. Suppose that an asymmetric history  $h$ , say playing  $(x, y)$ ,  $x \neq y$  has been observed. A strategy restricting to the one as before on this subgame cannot be in an ESSet. Let's show it.

Take a mutant  $\tau$  that uses the history as an anticonoordination device: if it observes  $(x, y)$  it plays, say,  $C$ , if it sees  $(y, x)$  it plays  $D$ , elsewhere it agrees with  $\sigma$ .

The mutation  $\tau$  is obviously elementary. Note also that the two histories must have the same probability under  $\sigma$ , call it  $p(h)$ , and that this probability is nonzero since the history has been observed.

Now,  $\tau$  is a best reply to  $\sigma$  because its actions are in the support of  $\sigma$ . Moreover, upon meeting itself after either of the two asymmetric histories,  $\tau$  has better payoffs than the one  $\sigma$  against  $\tau$  would get. This because it anti-coordinates with itself optimally while  $\sigma$  randomizes. In fact, if  $h_t = (x, y)$ , we have,  $U_{h_t}(\tau, \tau) = 16 \geq U_{h_t}(\sigma, \tau) = 15$ , and  $U_{\bar{h}_t}(\tau, \tau) = 19 \geq U_{\bar{h}_t}(\sigma, \tau) = 18$  so that, adding the two contributions, we get  $U(\tau, \tau) - U(\sigma, \tau) = p(h)[(16 + 19) - (15 + 18)] = p(h)[35 - 33] > 0$ . So  $\sigma$  is not in an ESSet, nor in a ESSp, any more.

There is another ingredient in our proofs: suppose at some point we hit a forward game such as

$$\begin{array}{cc} & C & D \\ \begin{array}{c} C \\ D \end{array} & \begin{pmatrix} 0 & 1 \\ 0 & 1 \end{pmatrix} & \end{array} \quad (5.5)$$

and that  $\sigma(h)$  is  $1/2C + 1/2D$ , earning  $1/2$  against itself. "Well, the case seems to be easier than the preceding one, we take  $\tau(h) = C$  as our elementary mutation, and continue our proof with it ... " Wrong!: if we do so we

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<sup>12</sup>In this simple example the payoff is not too bad compared to the optimal one of 20, if you want to see a dramatic loss in payoffs take the more complicated game (4.6).

get a new  $\tau$  in the ESSp set  $X$  but we have raised its payoffs to one, so, if we want a lower bound on ALL payoffs in the ESSp this  $\tau$  is useless. In fact the trick here is to remember that what we look for are strategies that, at the beginning of the game, are more able to send messages, rather than to get high payoffs. Actually we will choose, among the possible elementary mutation of  $\sigma$  the one with *lowest* payoff and this is why we introduced the concept of submutation, defined in 3.5.

**Proposition 5.3.** *Let  $\sigma \in X$ ,  $X$  ESS, let  $h_t$  be an asymmetric history, then there is an elementary submutation of  $\sigma$  at  $h_t$ ,  $\sigma'$ , such that both  $\sigma'(h_t)$  and  $\sigma'(\bar{h}_t)$  are pure actions.*

In particular, the new strategy,  $\sigma'$ , will not babble,  $\sigma' \in X$  and  ${}^N U(\sigma', \sigma') \leq {}^N U(\sigma, \sigma)$ .

Iterating this procedure we get:

**Proposition 5.4.** *Given an  $X$  ESSp and a  $\sigma \in X$  there is a  $\sigma' \in X$  such that  ${}^N U(\sigma') \leq {}^N U(\sigma)$  and  ${}^N U_{h_t}(\sigma') \geq N - t - 1$ , if  $h_t$  is an asymmetric story.*

**Proof:** It is straightforward: we chose some ordering of the asymmetric histories, starting from  $t = 1$  on, so that longer histories come after the shorter ones. Then we perform the submutations of prop 5.3 on non zero probability couples of asymmetric histories, couple by couple.

At each step the strategy becomes a pure action one on a couple, payoffs do not increase and the strategy on the rest of the histories does not change<sup>13</sup>.

We repeat the process until we get a strategy that is not-babbling at all nonzero probability asymmetric histories, is still in  $X$  and has payoffs not higher than the original one. ■

If needed, a sequence of silent mutations on zero probability histories, as in subsection 5.1, makes the  $\sigma'$  of the preceding proposition open minded, too. All this without leaving  $X$ .

So, if we call  $\sigma$  the new strategy, we can recapitulate its properties:

**Assumption 5.2.** *Given an  $X$ , ESSp for  ${}^N G$  there is a  $\sigma \in X$  such that:*

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<sup>13</sup>Choosing the ordering to be compatible with the length is not really necessary here, it has the advantage that it makes the process faster, because all but one descendants of an asymmetric history get probability zero. Moreover, in the case of infinitely repeated games treated later, it is the natural thing to do.

1. Conditional on zero probability histories, it would play the optimal strategy, i.e. if  $p^\sigma(h_t) = 0$  then  $\sigma'(h_t) = a$ , and so  ${}^N U_{h_t}(\sigma) \geq N - t$ .
2. Conditional on no-babbling histories it earns the efficient symmetric payoff up to one, i.e. if  $\text{supp}(\sigma'(h_t)) \neq \mathbf{A}$  then  ${}^N U_{h_t}(\sigma) \geq N - t - 1$ .
3. Conditional on asymmetric histories it earns the efficient symmetric payoff up to one i.e. if  $h_t \neq \bar{h}_t$  then  ${}^N U_{h_t}(\sigma) \geq N - t - 1$ .
4. For any other  $\sigma' \in X$ , we have  ${}^N U(\sigma', \sigma') \geq {}^N U(\sigma, \sigma)$ .

Points 1 to 3 have already been proved, point 4 follows by taking a strategy in  $X$  with lowest payoff, this exists because  $X$  is compact, and then performing the silent mutation and the submutation of this section on it.

Of course, in points 2 and 3, we do not know exactly what  $\sigma$  plays, we just know what it earns.

Such a  $\sigma$  will be called massaged, and from now on we assume that  $\sigma$  is in  $X$  and has been massaged.

### 5.3 Be patient

The purpose of the next two subsections is to prove if  $\sigma$  satisfies assumption 5.2 and  $h_t$  is a symmetric history at which  $\sigma$  is babbling and has low conditional payoff, then the probability of generating an asymmetric history at the next stage is not too low, as seen in proposition 5.5. So, these ugly histories have a chance of redeeming themselves by generating a lot of asymmetric daughters.

In subsection 5.4 we will estimate the probability that an history has low conditional payoffs (it will be called *bad*) and is symmetric at some stage  $k$  and we will see that it decays rather fast. Since asymmetric histories give almost efficient payoffs in the remaining subgame and the symmetric ones have small probability, we will get our estimate. The point is to chose a  $k$  large enough to make symmetric histories unlikely but not too large so that the asymmetric histories have enough time to accumulate high payoffs.

Let's first see how this work in a very simplified example.

Consider the stage game

$$\begin{array}{cc} & \begin{array}{cc} C & D \end{array} \\ \begin{array}{c} C \\ D \end{array} & \begin{pmatrix} 0 & 1 \\ 1 & 0 \end{pmatrix} \end{array} \tag{5.6}$$

repeat it  $N$  times,  $N$  large. Let  $\sigma$  be the strategy that begins by playing  $1/2C + 1/2D$  and continues to do so until an asymmetric outcome is realized, at this point it repeats the last move.

Chose a  $t$ . The probability that the history, after  $t$  stages, is still symmetric is  $1/2^t$ . If at time  $t$  an asymmetric outcome is played, players can anticordinate and get 1 at each of the next stages, so altogether  $N - t$ . It follows that the payoff of  $\sigma$  is at least  $(1 - 1/2^t)(N - t)$ .

If we vary  $t$  we get  ${}^N U(\sigma) \geq \max_{1 \leq t \leq N} (1 - 1/2^t)(N - t)$  so taking e.g.  $N = 1032$  and  $t = 10$  we get  ${}^{10} U(\sigma) \geq 1021 + 1/512$ , a rather good estimate. In fact the mistake is less than 1 % given that the true value is little more than 1031 by the following exercise:

**Exercise 5.1.** Prove that if  ${}^N G$  and  $\sigma$  are as above,  ${}^N U(\sigma) = N - 1 + 1/2^N$

**Hint:** Show that the forward game  ${}^N G_{\mathbb{N}}^{\sigma}$  is

$$\begin{array}{cc} & C & D \\ \begin{array}{c} C \\ D \end{array} & \left( \begin{array}{cc} {}^{N-1}U(\sigma, \sigma) & N \\ N & {}^{N-1}U(\sigma, \sigma) \end{array} \right) & \end{array} \quad (5.7)$$

I cheated a little bit because I took the most favorable case: the mixed actions here are always  $1/2C + 1/2D$ , so the probability of a symmetric history decreases very fast: it gets halved at each step. In general the mixed actions are not constant, so *a priori* it might happen that the probability of generating an asymmetric action goes to zero so fast that bad asymmetric histories survive for a long time. The goal of the next set of propositions is to prove that this is not the case. The reason is intuitively simple. If a mixed action played independently on both sides has a low probability of generating an asymmetric outcome, it means that there is a pure action, say  $x$  that will be played with probability almost one.

But if the payoff of the strategy is low and the strategy satisfies assumptions 5.2 this is impossible: indeed, playing against the strategy a pure action  $y$ , different from  $x$ , would generate an asymmetric history and so a high payoff, so the original action would not even be a Nash equilibrium.

we formalize this reasoning in the following proposition, recall that  $\sigma(h_t)(x)$  is the probability that after history  $h_t$   $\sigma$  takes action  $x$ .

**Proposition 5.5.** Let  $\sigma \in X$ , let  $p^{\sigma}(h_t) > 0$ ,  $\text{supp}(\sigma(h_t)) = \mathbf{A}$  and  $h_t$  symmetric, let  $\sigma$  satisfy assumptions 5.2.

If  $U_{h_t}(\sigma) \leq N - A$  then  $\forall x \in \mathbf{A} \sigma(h_t)(x) \leq 1 - \frac{A-t-2}{N-t-2}$  and the probability that the outcome is asymmetric is at least  $\frac{A-t-2}{N-t-2}$ .

**Proof:** Let  $x$  be given and let  $y \neq x$  be another action. Let us consider the forward game  $G_{h_t}$ .

We have  $V_{1,h_t}^\sigma(y, x) \geq (N-t-2)$  because the outcome  $(x, y)$  will make the following history asymmetric and  $\sigma$  satisfies 5.2. so, by linearity of payoffs,  $V_{1,h_t}^\sigma(y, \sigma) \geq (N-t-2) \cdot \sigma(h_t)(x)$ .

On the other side action  $\sigma(h_t)$  is a best reply to itself in the forward game so  $V_{1,h_t}^\sigma(y, \sigma(h_t)) \leq V_{1,h_t}^\sigma(\sigma(h_t), \sigma(h_t)) = U_{h_t}(\sigma(h_t), \sigma(\bar{h}_t)) \leq N - A$ . remember that  $h_t$  is symmetric. Putting together the inequalities you get the bound on  $\sigma(h_t)(x)$ . The lower bound on the probability of the outcome follows from the next lemma. ■

**Lemma 5.1.** *If in a stage game every action is taken with probability at most  $1 - \delta$ ,  $0 \leq \delta \leq 1/2$ , the outcome is asymmetric with probability at least  $\delta$ .*

**Proof:** If  $p_1, p_2, \dots, p_n$  are the probabilities of actions  $a_1, a_2, \dots, a_n$  respectively, the probability of an asymmetric outcome will be  $1 - \sum p_i^2$ . It is a concave function and we look for its minimum on the convex set  $\mathbf{L} = \{(p_1, p_2, \dots, p_n) | 0 \leq p_i \leq 1 - \delta, \sum p_i = 1\}$ . It is achieved on one of the extreme points that, up to permutation of indexes, is  $(1 - \delta, \delta, 0, \dots, 0)$ . The value there is  $2\delta(1 - \delta) \geq \delta$ . ■

## 5.4 Completion of the proof

At  $t$  we will estimate the payoffs of the strategy disregarding what has been earned up to then. Since asymmetric histories give high payoff and the symmetric ones have small probability, we will get our estimate.

We prove now our bound on the inefficiency  $c(N)$  when  $N$  goes to infinity. To do so we will concentrate on the first periods of the game, when the role of action as message carriers is more pronounced.

Choose a small  $\varepsilon > 0$  and let  $\beta = 1/2 + \varepsilon$ . We call a history “bad” if  $U_{h_t}(\sigma) < N - N^\beta$ , if not it will be called good. Of course the distinction is useful only for  $t \leq N^\beta$ : after that time all histories are bad.

If  $t \leq N^{1/2} - 1$  and if  $h_t$  is any asymmetric history we know, by assumption 5.2, that  $U_{h_t}(\sigma) \geq N - N^{1/2}$ . So for  $t$  up to  $N^{1/2} - 1$  only symmetric histories can be bad.

Note that, because of formula (A.20), a bad history can generate a good one and a good history can generate a bad one. On the other side, once a history has become asymmetric, all its descendants will be so.

Let us now fix  $k = N^{1/2} - 1$  and consider histories generated by  $(\sigma, \sigma)$  at time  $k$ . We will partition them in disjoint classes.

One class, named  $A_k$ , will contain all the asymmetric histories.

As for the symmetric ones, some of them can nevertheless be good or have good ancestors. Given such a one,  $h_k$ , we denote by  $g(h_k)$  its oldest good ancestor, this of course could be  $h_k$  itself. We will call  $S$  the set of all oldest ancestors:  $S$  consists of symmetric histories  $g_t$  with  $t \leq k$ . For each  $g_t \in S$ , we will denote by  $D_k(g_t)$  the set of its symmetric descendants at time  $k$ , the  $D_k(g_t)$  form a collection of disjoint sets, whose union will be called  $B_k$ .

Symmetric histories in the complement of  $B_k$  are bad with all their ancestors bad and will be called consistently bad, this set will be denoted by  $C_k$ .

To resume, given a stage game  $G$ , an  $N$ , and a strategy satisfying assumptions 5.1 and 5.2, the histories generated by it at time  $k$  are divided in:

1. The set of asymmetric ones  $A_k$
2. Sets of symmetric good ones or symmetric bad ones with a good ancestor, grouped according to the first good ancestor  $D_k(g_t)$ ,  $g_t \in S_k$ .
3. The set of consistently bad ones,  $C_k$

The reader should have a look at picture 1 to get an idea of what is going on.

To prove that  ${}^N U(\sigma)$  is large for long games we need to show first that the bad set  $C_k$  is small for  $N$  large. We denote by  $p_N(C_k)$  the probability of event  $C_k$  in a  $N$  times repetition of the game: it is a function of  $N$  and also of  $\sigma$  and  $G$ . In the next proposition we show not only that that it is small for  $N$  large but also that the upper bound does not depend on  $\sigma$  or  $G$ :

**Lemma 5.2.** *Let  ${}^N G$  and  $\sigma$  satisfy 5.1 and 5.2, and let  $\varepsilon$  and  $k$  be as above, then  $p_N(C_k)$  decreases exponentially when  $N$  goes to infinity, more precisely there is a  $\bar{N}$  such that for  $N \geq \bar{N}$  we have  $\pi_N(C_k) \leq \exp(-N^\varepsilon/6)$ . Moreover  $\bar{N} = \max(4, N_1, 2^{1/\varepsilon})$ , where  $N_1$  is a universal constant, independent of  $\varepsilon$ .*

**Proof:** By propositions 5.5 if  $h_t$  is bad, it will generate an asymmetric history at stage  $t + 1$  with probability at least  $\frac{N^\beta - t - 2}{N - t - 2}$ , so the probability measure of  $C_k$  will be bounded by  $\prod_{t=0}^{k-1} \left(1 - \frac{N^\beta - t - 2}{N - t - 2}\right)$ , with  $k = N^{1/2} - 1$ . The estimate of this expression is a calculus exercise that can be found in the appendix.

■

We can now conclude the proof. The evaluation of  ${}^N U(\sigma)$  is very quick if we use the fact that  $U_{h_t}(\sigma)$  is a supermartingale.

We define a stopping time  $\theta$  as

$$\theta = \min(\inf\{t | h_t \text{ is good}\}, k)$$

Se we have that either  $h_\theta$  is a good (symmetric or asymmetric) strategy with  $U_{h_\theta}(\sigma) \geq N - N^\beta$  or  $\theta = k$  and  $h_k$  is consistently bad, the latter case will happen with probability  $p_N(C_k)$ .

Now apply proposition (A.21):

$${}^N U(\sigma) \geq E({}^N U_{h_\theta}) \geq (1 - p_N(C_k))(N - N^\beta) + \sum_{C_k} p(h_k) {}^N U_{h_k} \quad (5.8)$$

The sum over  $C_k$  contributes at least zero and so by applying lemma 5.2,  ${}^N U(\sigma) \geq (N - N^\beta)(1 - \exp(-N^\varepsilon/6))$  for  $N \geq \bar{N}$ .

If you do not like supermartingales you can prove the same inequality directly using the partition given above and equation (A.22). Again a look at Picture 1 may help.

So in the end we have

$${}^N U(\sigma) \geq U(\sigma') \geq (N - N^\beta)(1 - \exp(-N^\varepsilon/6)) \geq N - N^\beta - N \exp(-N^\varepsilon/6) \quad (5.9)$$

for  $N$  larger than the  $\bar{N}$  given above. More precisely, looking at the expression for  $\bar{N}$  we see that inequality 5.9 holds if  $1/2 > \varepsilon > \frac{\log 2}{\log N}$  and  $N \geq N_1$ . We now define  $c(N) = \inf_{1/2 > \varepsilon > \frac{\log 2}{\log N}} N^{1/2+\varepsilon} + N \exp(-N^\varepsilon/6)$  for  $N \geq N_1$  and, say  $N$  for  $N \leq N_1$ . Now we have  ${}^N U(\sigma) \geq N - c(N)$  and it is an easy exercise to see that  $\lim_{N \rightarrow \infty} \frac{c(N)}{N^{1/2+\varepsilon}} = 0$  for all  $\varepsilon$ .

This ends the proof.

## 6 Infinitely repeated games with discounting

In this section we deal with the case of infinitely repeated games with discounting, we will use the notation for finite ones in section 2.2, apart from the following changes:

**Time:** The set of time periods will be now all the integers from 0 to  $\infty$  :  
 $\{0, 1, 2, \dots\}$

**Perfect monitoring:** no change

**Histories:** Histories will now be:

$$H = \{\aleph\} \cup \bigcup_{t=0}^{\infty} H_t \quad (6.1)$$

so the union of a one element set, now the  $-1$  history,  $h_{-1} = \aleph$ , and the  $H_t = (\mathbf{A}^2)^{t+1}$  for each  $t \geq 0$ . So  $H_t$  will now be the set of set of  $[(a_0, b_0), (a_1, b_1), \dots, (a_t, b_t)]$ .

**Strategies:** no change. But now they form an infinite dimensional space, so we will need to give a topology for them, this is done in the appendix.

**Plays:** no change

**Probabilities:** no change.

**Payoffs:** The payoffs will now be discounted at rate  $\rho$ : so the payoff of strategy  $\sigma$  against strategy  $\tau$ , denoted by  ${}^\rho U(\sigma, \tau)$ , will be :

$${}^\rho U(\sigma, \tau) = (1 - \rho) E_{(\sigma, \tau)} \left( \sum_{t=0}^{+\infty} \rho^t u(a_t, b_t) \right) \quad (6.2)$$

Multiplication by  $(1 - \rho)$  makes the repeated-game payoffs easily comparable with the stage-game payoffs. In particular, a player who earns the same stage-game payoff  $u$  in each period will have repeated-game payoff  $u$ . The expectation is taken with respect to the probability measure induced by the strategy profile  $(\sigma, \tau)$ .

The conditional payoff  ${}^\rho U_{h_t}(\sigma, \tau)$  is defined as

$${}^\rho U_{h_t}(\sigma, \tau) = (1 - \rho) E_{(\sigma, \tau)|h_t} \left( \sum_{s=t+1}^{+\infty} \rho^s u(a_s, b_s) \right) \quad (6.3)$$

Note that we discount the value at time 0.



The forward game is defined as before but now payoffs are

$${}^fV_{1,h_t}^{(\sigma,\tau)}(x,y) = (1-\rho)\rho^t u(x,y) + {}^N U_{h_t \circ (x,y)}(\sigma,\tau) \quad {}^fV_{2,h_t}^{(\sigma,\tau)}(x,y) = (1-\rho)\rho^t u(y,x) + {}^N U_{\bar{h}_t \circ (y,x)}(\tau,\sigma) \quad (6.4)$$

We will be interested in the behavior of  ${}^\rho G$  when  $\rho$  is close to one. The relation with long repeated games is given by the fact that  ${}^\rho G$  can be interpreted as a game in which future payoffs are undiscounted, but the probability that the game continues to the next stage is  $\rho$ , in this case, the expected length of the game  $\bar{N}$  will be  $(1-\rho)^{-1}$ , or  $\rho = (1-1/\bar{N})$ , this fact will be used to compare with the results for  $N$  times repeated games.

## 6.1 results

**Proposition 6.1.** *There is a universal function  $f(\rho)$  that goes to 1 when  $\rho$  goes to 1 such that: if  $G$  is a symmetric game with  $P$  and  $Q$  as before,  ${}^\rho G$  is the corresponding discounted game and  $\sigma$  is a strategy in an ESSp set of  ${}^\rho G$ :*

$${}^\rho U(\sigma) \geq f(\rho)P + (1-f(\rho))Q \quad (6.5)$$

In the proof it will be seen that we can take  $f(\rho) = \rho^{(-\log \rho)^{-(1/2+\varepsilon)}}$ , for  $\rho$  close to one. It is trivial that this function it goes to 1 when  $\rho$  goes to 1. More interesting is to see how the estimate looks like when we write the discount factor as  $\rho = (1-1/\bar{N})$ ,  $\bar{N}$  the expected number of rounds. Then  $f(\rho) \approx \rho^{\bar{N}^{-(1/2+\varepsilon)}}$ . The interpretation should be clear: as in the case of finitely repeated games a certain number of rounds, of order of magnitude  $\bar{N}^{-(1/2+\varepsilon)}$ , are needed to convey the message, let's play the efficient outcome.

**Theorem 3.** *Let  $G$  be a Paretian Game with optimal action  $a$ , optimal payoff  $P$  and worse payoff  $Q$  and consider the infinitely repeated repeated game with discount  ${}^\rho G$ . Then*

1. *The set  $\{\sigma | {}^\rho U(\sigma) = N \cdot P\} = \{\sigma | \sigma(h_t) = a \text{ if } p^\sigma(h_t) > 0\}$  consisting of strategies playing always  $a$  against themselves is an ESS.*
2. *If  $\sigma \in X$ ,  $X$  an ESS, then  $\lim_{\rho \rightarrow 1} {}^\rho U(\sigma) = P$*

## 6.2 proofs

The proofs are similar or easier. Before we sketch the proof of propositions 6.1 we explain some technical point.

First we have to specify the choice of topology for for the infinite dimensional space  $\delta\mathcal{B}$ .

Strategies in  $\delta\mathcal{B}$  are functions from the set of histories to the simplex of mixed actions. We will give to it the standard product topology: given a finite set of histories  $S$  and a  $\delta > 0$ , a neighborhood of a strategy  $\sigma$  will be the set of those strategies that, on histories in  $S$ , take mixed actions within  $\delta$  of the one taken by  $\sigma$ . In practice this means that a sequence of strategies  $\sigma_i$  converges to  $\sigma$  if and only if, for each history  $h_t$ ,  $\lim_{i \rightarrow \infty} \sigma_i(h_t) = \sigma(h_t)$ , not necessarily uniformly in  $h_t$ .

The reader should check, it is a standard exercise, that the payoff function (6.2) is continuous with this topology.

The definition of ESSet are now:

Proposition 3.2 applies, need closed. Proposition 5.1 is the same. Need closed

proposition 5.2 has bound  ${}^\rho U_{h_t} \geq \rho^{t+2}$ .

proposition B.1 is the same.

proposition 5.4 has bound  ${}^\rho U_{h_t} \geq \rho^{t+2}$

proposition 5.5 is now as follows.

### Assumptions

**Proposition 6.2.** *Let  $\sigma \in X$ , let  $p(h_t) > 0$ ,  $\text{supp}(\sigma(h_t)) = \mathbf{A}$  and  $h_t$  symmetric, let  $\sigma$  be massaged. If  $U_{h_t}(\sigma(h_t)) \leq \rho^\alpha$  then  $\forall x \in \mathbf{A} \sigma(h_t)(x) \leq \rho^{\alpha-t-3}$*

**Proof:** Given  $x$ , let  $y \neq x$  the utility of playing  $y$  against  $\sigma(h_t)$  in the forward game is less than  $\rho^\alpha$ , the utility of playing  $y$  against  $x$  is at least  $\rho^{t+3}$  by proposition 5.4. So we have  $\sigma(h_t)(x)\rho^{t+3} \leq \rho^\alpha$  and the result follows. ■

Now set  $\alpha = (-\log\rho)^{-(1/2+\varepsilon)}$  and  $\beta = \text{integerpart}(-\log\rho)^{-1/2}$ . This time bad symmetric histories will be those for which  $U_{h_t}(\sigma(h_t)) \leq \rho^\alpha$ . It is easily seen that when  $\rho$  goes to one  $\alpha$ ,  $\beta$  and  $\alpha/\beta$  go to  $\infty$ . In particular  $\rho^{\beta+3} > \rho^\alpha$  when  $\rho$  is close enough to 1 and asymmetric histories will be good.

The probability that  $h_{t+1}$  is bad and symmetric conditional on  $h_t$  being bad and symmetric is at most  $\rho^{\alpha-t-3}$  by proposition 6.2. So consistently bad histories from  $t = 0$  to  $t = \text{integerpart}(-\log\rho)^{-1/2}$  have probability at most  $\prod_{t=0}^{\text{integerpart}(-\log\rho)^{-1/2}-1} \rho^{\alpha-t-3} = \rho^{\beta^2 \frac{(\alpha-3)}{\beta} - 1/2(1-1/\beta)}$ . By substitution of the values of  $\alpha$  and  $\beta$  it is easily seen that this goes to zero when  $\rho$  goes to one. So at time  $\beta$  most histories are good and the result follows.

## 7 rules of thumb

In this section we deal with a technically easy but, in the author's opinion, conceptually important extension of our results. Suppose that the game changes at each stage and that it may even depend on the previous history. Still, we require that some gross features of it are preserved. All games have a preferred action, that without loss of generality can be denoted by  $a$ , and when  $a$  is played against itself a Pareto optimal outcome obtains, with payoff at least  $P$ , moreover the cost of miscoordination is at most  $D$ . The optimal strategies may be complicated, involving a tradeoff between current payments and histories leading to high paying games, still the general principle holds, evolution leads to asymptotical optimal cooperation.

More formally Given  $\mathbf{A}$  and  $a \in \mathbf{A}$ ,  $P$  and  $D$ , let  $\mathcal{G}(P, D)$  be the set of all payoffs functions  $u : \mathbf{A}^2 \rightarrow \mathbf{R}$  such that

1. For all  $u \in \mathcal{G}(P, D)$  we have:  $a \in \text{Argmax}_{x \in \mathbf{A}} u(x, x)$  and  $u(a, a) \geq P$
2. For all  $u \in \mathcal{G}(P, D)$  we have:  $P - \min_{x, y \in \mathbf{A}} u(x, y) \leq D$

they define the class of symmetric games with the property that the optimal action earns always at least  $P$  and the worst outcome is never worse than  $P - D$ . Let  $u_h : H \rightarrow \mathcal{G}(P, D)$  be a function from histories to them. It defines a *iterated game*  ${}^N\tilde{G}$  that has the same times, histories and strategies as that in section 2.2, and where the new payoffs are now defined as

$${}^N\tilde{U}(r_t) = \sum_{i=1}^t u_{r_i}(a_i, b_i) \quad (7.1)$$

The following theorem holds:

**Proposition 7.1.** *There is a universal function  $c(N)$  with  $\lim_{N \rightarrow \infty} \frac{c(N)}{N^{1/2+\varepsilon}} = 0$  for all  $\varepsilon > 0$ , such that:*

*if  ${}^N\tilde{G}$ ,  $P$  and  $D$  are as above and if  $\Pi(N) = \inf \left\{ {}^N U(\sigma) \mid \sigma \in X, X \text{ ESSet for } {}^N\tilde{G} \right\}$  then:*

$$\pi_N \geq P \cdot N - c(N) \cdot D \quad (7.2)$$

## 8 conclusions

It was proved that in long repeated games, the evolutionary stable payoffs are asymptotically efficient. The results in this paper can be extended in several directions, a similar result holds for asymmetric games and for  $N$  players games, we leave to the reader a formulation and proof of it.

More interesting is to see what happens in games such as the, finitely repeated, Hawk Dove game or the prisoner's dilemma, in which new phenomena occurs. Here too evolution leads to optimal equilibria with the same mechanism as the one described in this paper, but then does not settle there, in fact the only equilibria in the finitely repeated prisoner's dilemma consist in always defecting at equilibrium. As a consequence there are no ESSets: if they existed, on one side they should be asymptotically efficient, because of proposition 4.1, on the other one they must consist of Nash equilibria, that are inefficient.

Intuition suggests what a satisfactory extension should be. In these cases, it is not only enough to be "kind to foreigners" but, in order to survive, one should also be able to "deter those who exploit my kindness". In the setting of payoff consistent dynamics, mentioned in the introduction, this corresponds to an attractor that contains optimal strategies but it is strictly larger than it. Evolution approaches efficient strategies but then, to account of the possibility of "evil", and stupid, mutants, leads astray from it.

If a continuous stream of mutants is assumed, an idea that is already implicit in the pioneering work of Maskin and Fudenberg, the minimal asymptotically stable sets turn out to be sets of strategies that cooperate but, upon defection, are able to react switching to punishment. The more sophisticated the entering mutants are assumed to be, say experimenting a one time defection and then being open to cooperation, the more refined the winning strategies will be and the smaller the minimal asymptotically stable set. This will be the topic of the following paper.

qui c'e' l albero

## 9 albero

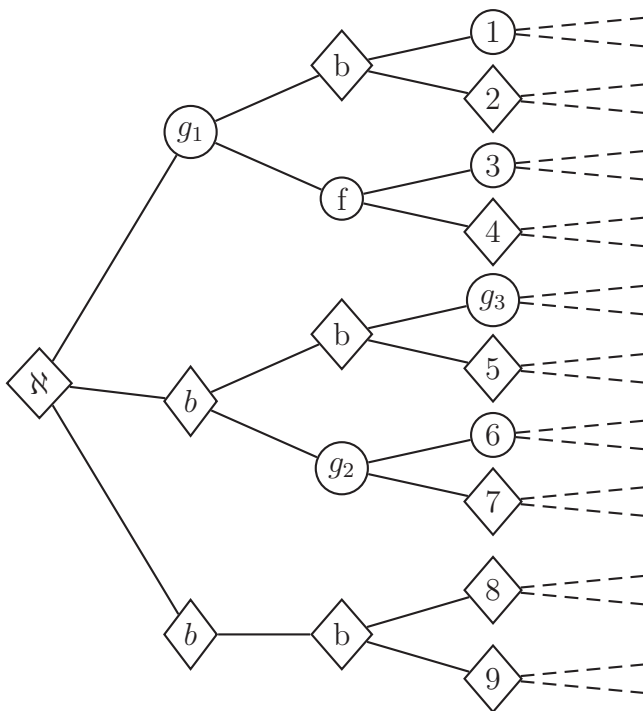


Figure 1: A possible tree. Round circles are good symmetric histories, diamond ones are bad symmetric, asymmetric ones are not shown. At time 3, class B consists of histories 1,2,3,4, in the equivalence class  $D_3(g_1)$ , 6 and 7 in  $D_3(g_2)$ , and  $g_3$  in  $D_3(g_3)$ . Class C contains the consistently bad histories 5, 8 and 9. So we have that  $^N U(\sigma) \geq \sum_{h_3 \text{ asymmetric}} ^N U_{h_3} + p^\sigma(g_1)^N U_{g_1} + p^\sigma(g_2)^N U_{g_2} + p^\sigma(g_3)^N U_{g_3} + \text{bad histories}$ .

**(fig:tree)**

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## A Additional notation and tools

In this technical part we describe a basic tool for many of our proofs, the forward game. We assume that  $N$  has been fixed and we will disregard it in our notation, when no risk of confusion arises.

**Definition A.1.** *The forward game  ${}^fG_{h_t}^{(\sigma,\tau)}$  is a two player game  $(\mathbf{A}, \mathbf{A}, {}^fV_{1,h_t}^{(\sigma,\tau)}, {}^fV_{2,h_t}^{(\sigma,\tau)})$  in which the pure strategy set consist of the set of actions  $\mathbf{A}$  for both players and, given an action pair  $(x, y) \in \mathbf{A}$  the payoffs are:*

$${}^fV_{1,h_t}^{(\sigma,\tau)}(x, y) = u(x, y) + {}^N U_{h_t \circ (x,y)}(\sigma, \tau) \quad (\text{A.1})$$

$${}^fV_{2,h_t}^{(\sigma,\tau)}(x, y) = u(y, x) + {}^N U_{\bar{h}_t \circ (y,x)}(\tau, \sigma) \quad (\text{A.2})$$

*Payoffs are extended to mixed actions in the usual way.*

The interpretation of this game is the following: player 1 is a player that has observed history  $h_t$  and chooses action  $x$ , player 2, who has observed history  $\bar{h}_t$ , choses  $y$ . To the payoffs of the stage game we then add what the players would get if they used the relevant parts of strategies  $\sigma$  and  $\tau$  applied on histories  $h_t \circ (x, y)$  and  $\bar{h}_t \circ (y, x)$  and their descendants from time  $t + 2$  on.

We stress the fact that  ${}^fG_{h_t}^{(\sigma,\tau)}$  is a one stage game, the only choice is  $(x, y)$ , then the behavior is fixed by  $\sigma$  and  $\tau$ .

We give below some properties of forward games that will be used in our study of mutations. First note that, if  $\sigma = \tau$  and  $h_t = \bar{h}_t$ , the game is symmetric. In general we have  ${}^fV_{1,h_t}^{(\sigma,\tau)}(x, y) = {}^fV_{2,\bar{h}_t}^{(\tau,\sigma)}(y, x)$ .

Strategies pairs  $(\sigma, \tau)$  in  ${}^N G$  induce strategy pairs  $\sigma(h_t), \tau(\bar{h}_t)$  for player 1 and 2 in all games  ${}^fG_{h_t}^{(\sigma,\tau)}$  and we have:

$${}^N U_{h_t}(\sigma, \tau) = {}^fV_{1,h_t}^{(\sigma,\tau)}(\sigma(h_t), \tau(\bar{h}_t)) \quad (\text{A.3})$$

and

$${}^N U_{h_t}(\tau, \sigma) = {}^fV_{2,h_t}^{(\sigma,\tau)}(\sigma(h_t), \tau(\bar{h}_t)) \quad (\text{A.4})$$

In the proof of proposition 2 we will also need the *continuation game* that we define below following [3]. In it, unlike the forward game, every action after time  $t + 1$  may be chosen.

**Definition A.2.** The continuation game  ${}^cU_{h_t}$  is the  $N - t$  repeated game  ${}^{N-t}G$  beginning at time  $t + 1$ . A strategy  $\sigma$  in  ${}^N G$  induces a continuation strategy denoted by  ${}^c\sigma_{h_t}$ , by restriction on descendants of  $h_t$ :  ${}^c\sigma_{h_t}(k_{t+1,s}) = \sigma(h_t \circ k_{t+1,s})$ .

## A.1 Some examples

Consider the stage game

$$\begin{array}{cc} & H & D \\ H & (-1 & 5) \\ D & (3 & 1) \end{array} \quad (\text{A.5})$$

Repeat it two times. Let  $\sigma$  be defined as follows:

$$\sigma(h_t) = \begin{cases} 1/2H + 1/2D & \text{if } h_t = \aleph, (H, H) \text{ or } (D, D) \\ H & \text{if } h_t = (H, D) \\ D & \text{if } h_t = (D, H) \end{cases} \quad (\text{A.6})$$

In words:  $\sigma$  plays  $1/2H + 1/2D$  at time one and at time two after a symmetric history. If the outcome is asymmetrical, players play again what they have just played.

The game  ${}^J G_{\aleph}^{\sigma}$  is symmetric and given by

$$\begin{array}{cc} & H & D \\ H & (-1 + 2 & 5 + 5) \\ D & (3 + 3 & 1 + 2) \end{array} \quad (\text{A.7})$$

The two here is the payoff of the mixed strategy.

Let now the game be repeated three times and let  $\sigma$  be similarly defined: it begins by playing  $1/2H + 1/2D$  and repeats it until an asymmetric history appears, upon an asymmetric history it repeats the last action until the end.

$$\sigma(h_t) = \begin{cases} 1/2H + 1/2D & \text{if } h_t = \aleph, (H, H), (D, D), [(H, H), (H, H)], \\ & [(H, H), (D, D)], [(D, D), (D, D)], \\ & [(H, H), (D, D)] \text{ or } [(D, D), (H, H)]. \\ H & \text{if } h_t = (H, D), [(H, D), (*, \bullet)] \text{ or } [(\bullet, \bullet), (H, D)] \\ D & \text{if } h_t = (D, H), [(D, H), (*, \bullet)] \text{ or } [(\bullet, \bullet), (D, H)] \end{cases} \quad (\text{A.8})$$



Here  $(\bullet, \bullet)$  denotes any symmetric pair of actions and  $(*, \bullet)$  denotes any arbitrary pair.

Then  ${}^f G_{(H,D)}^\sigma$  is the asymmetric game

$$\begin{array}{cc} & H & D \\ H & (-1 + 5, -1 + 3) & (5 + 5, 3 + 3) \\ D & (3 + 5, 5 + 3) & (1 + 5, 1 + 3) \end{array}$$

player one adds to the payoffs of period two the 5 she will get in period 3 by playing  $H$  against  $D$ , player two adds 3, the payoff of  $D$  against  $H$ .

The next game shows how the structure of the game can vary during the play.

$$\begin{array}{cc} & H & D \\ H & (5 & 2) \\ D & (4 & 3) \end{array} \tag{A.9}$$

Let the game be repeated two times and let  $\sigma$  be:

$$\sigma(h_t) = \begin{cases} 1/2H + 1/2D & \text{if } h_t = \aleph \\ H & \text{if } h_t = (H, D), (D, H) \\ D & \text{if } h_t = (H, H), (D, D) \end{cases} \tag{A.10}$$

The game  ${}^f G_{\aleph}^\sigma$  is given by

$$\begin{array}{cc} & H & D \\ H & (8 & 7) \\ D & (9 & 6) \end{array} \tag{A.11}$$

note that it has become of the Hawk Dove type.

## A.2 exercises and facts on the forward game

Given  $\alpha$  and  $\beta$  mixed actions in  $\Delta(\mathbf{A})$ , and a asymmetric history  $h_t$ , we define:

$$\begin{aligned} {}^N W_{h_t}^{(\sigma)}(\alpha, \beta) &= \\ &= {}^f V_{1, h_t}^\sigma(\alpha, \beta) + {}^f V_{1, \bar{h}_t}^\sigma(\beta, \alpha) - {}^f V_{1, h_t}^\sigma(\sigma(h_t), \beta) - {}^f V_{1, \bar{h}_t}^\sigma(\sigma(\bar{h}_t), \alpha) \\ &= {}^f V_{1, h_t}^\sigma(\alpha, \beta) + {}^f V_{2, h_t}^\sigma(\alpha, \beta) - {}^f V_{1, h_t}^\sigma(\sigma(h_t), \beta) - {}^f V_{2, h_t}^\sigma(\alpha, \sigma(\bar{h}_t)) \end{aligned} \tag{A.12}$$

It is a bilinear form in  $\alpha, \beta$ . The  $V$  and the  $W$  functions will turn out to be useful in the study of mutants payoffs, as the following facts show. The proofs are straightforward checks of the definitions left to the reader.

**Exercise A.1.** *Let  $\sigma'$  differ from  $\sigma$  only at history  $h_t$ , and let  $\sigma'(h_t) = \alpha$  then*

$$\begin{aligned} {}^N U(\sigma', \sigma) - {}^N U(\sigma, \sigma) &= \\ &= p^\sigma(h_t) [{}^f V_{1, h_t}^\sigma(\alpha, \sigma(\bar{h}_t)) - {}^f V_{1, h_t}^\sigma(\sigma(h_t), \sigma(\bar{h}_t))] \end{aligned} \quad (\text{A.13})$$

moreover, when  $h_t$  is asymmetric i.e.  $h_t \neq \bar{h}_t$ , we have:

$$\begin{aligned} {}^N U(\sigma', \sigma') - {}^N U(\sigma, \sigma') &= \\ &= p^\sigma(h_t) [{}^f V_{1, h_t}^\sigma(\alpha, \sigma(\bar{h}_t)) + {}^f V_{1, \bar{h}_t}^\sigma(\sigma(\bar{h}_t), \alpha) - {}^f V_{1, h_t}^\sigma(\sigma(h_t), \sigma(\bar{h}_t)) - {}^f V_{1, \bar{h}_t}^\sigma(\sigma(h_t), \sigma(\bar{h}_t))] \\ &= p^\sigma(h_t) [{}^f V_{1, h_t}^\sigma(\alpha, \sigma(\bar{h}_t)) - {}^f V_{1, h_t}^\sigma(\sigma(h_t), \sigma(\bar{h}_t))] = \\ &= p^\sigma(h_t) [{}^f V_{1, h_t}^\sigma(\alpha, \sigma(\bar{h}_t)) - {}^f V_{1, h_t}^\sigma(\sigma(h_t), \sigma(\bar{h}_t))] \end{aligned} \quad (\text{A.14})$$

and when  $h_t$  is symmetric i.e.  $h_t = \bar{h}_t$  we have:

$$\begin{aligned} {}^N U(\sigma', \sigma') - {}^N U(\sigma, \sigma') &= \\ &= p^\sigma(h_t) [{}^f V_{1, h_t}^\sigma(\alpha, \alpha) - {}^f V_{1, h_t}^\sigma(\sigma(h_t), \alpha)] \end{aligned} \quad (\text{A.15})$$

Note that  $p^\sigma(h_t) = p^{(\sigma', \sigma)}(h_t)$  and  ${}^f V_{1, h_t}^{(\sigma', \sigma)} = {}^f V_{1, h_t}^{(\sigma, \sigma)} = {}^f V_{1, h_t}^{(\sigma', \sigma')}$  because at histories after  $t + 1$ ,  $\sigma$  and  $\sigma'$  coincide.

Equation (A.13) is proved by remarking that the strategy profiles  $(\sigma', \sigma)$  and  $(\sigma, \sigma)$  generate the same histories with the same probabilities on the part of the game tree not following  $h_t$ . So, if you are mutant  $\sigma'$  and you play against the population member  $\sigma$ , then only changes in comparison to a  $\sigma$  playing against another  $\sigma$  will occur after you observe  $h_t$  (and so your opponent observes  $\bar{h}_t$ ). This occurs with probability  $p^\sigma(h_t)$ . In the following periods they revert to the prescriptions of strategy  $\sigma$ .

Equations (A.14) and (A.15) are proved similarly. Note that after simplification expression (A.14) reduces to (A.13): in fact when the mutants meet each other, the one who sees  $\bar{h}_t$  plays as the population does. Moreover these two expressions are zero when  $\alpha$  is a best reply to the population strategy  $\sigma(\bar{h}_t)$ .

**Exercise A.2.** Let  $h_t$  be asymmetric and let  $\sigma'$  differ from  $\sigma$  only at histories  $h_t$  and  $\bar{h}_t$ , and let  $\sigma'(h_t) = \alpha$  and  $\sigma'(\bar{h}_t) = \beta$  then

$$\begin{aligned}
& {}^N U(\sigma', \sigma) - {}^N U(\sigma, \sigma) = \\
& = p^\sigma(h_t)[{}^f V_{1,h_t}^\sigma(\alpha, \sigma(\bar{h}_t)) + {}^f V_{1,\bar{h}_t}^{\sigma'}(\beta, \sigma(h_t)) + \\
& \quad - {}^f V_{1,h_t}^\sigma(\sigma(h_t), \sigma(\bar{h}_t)) - {}^f V_{1,\bar{h}_t}^{\sigma'}(\sigma(\bar{h}_t), \sigma(h_t))] \\
& = p^\sigma(h_t)[{}^f V_{1,h_t}^\sigma(\alpha, \sigma(\bar{h}_t)) + {}^f V_{2,h_t}^\sigma(\sigma(h_t), \beta) + \\
& \quad - {}^f V_{1,h_t}^\sigma(\sigma(h_t), \sigma(\bar{h}_t)) - {}^f V_{2,h_t}^\sigma(\sigma(h_t), \sigma(\bar{h}_t))]
\end{aligned} \tag{A.16}$$

and

$$\begin{aligned}
& {}^N U(\sigma', \sigma') - {}^N U(\sigma, \sigma') = \\
& = p^\sigma(h_t)[{}^f V_{1,h_t}^\sigma(\alpha, \beta) + {}^f V_{1,\bar{h}_t}^{\sigma'}(\beta, \alpha) + \\
& \quad - {}^f V_{1,h_t}^\sigma(\sigma(h_t), \beta) - {}^f V_{1,\bar{h}_t}^{\sigma'}(\sigma(\bar{h}_t), \alpha)] = \\
& = p^\sigma(h_t)[{}^f V_{1,h_t}^\sigma(\alpha, \beta) + {}^f V_{2,h_t}^\sigma(\alpha, \beta) + \\
& \quad - {}^f V_{1,h_t}^\sigma(\sigma(h_t), \beta) - {}^f V_{2,h_t}^\sigma(\alpha, \sigma(\bar{h}_t))] = \\
& = p^\sigma(h_t) {}^N W_{h_t}^{(\sigma)}(\alpha, \beta)
\end{aligned} \tag{A.17}$$

Note that, when  $\alpha = \sigma(h_t)$  or  $\beta = \sigma(\bar{h}_t)$ , expressions (A.16) and (A.17) coincide with (A.13) and (A.14) respectively, that in their turn, coincide with each other.

**Exercise A.3.** Let  $t$  be any fixed time, then

$${}^N U(\sigma, \tau) = \sum_{h_t} p^{(\sigma, \tau)}(h_t)[U(h_t) + {}^N U_{h_t}(\sigma, \tau)] \tag{A.18}$$

and

$${}^N U_{h_t}(\sigma, \tau) = u(\sigma(h_t), \tau(\bar{h}_t)) + \sum_{k_{t+1}|h_t \triangleright k_{t+1}} p_{h_t}^{(\sigma, \tau)}(k_{t+1}) {}^N U_{k_{t+1}}(\sigma, \tau) \tag{A.19}$$

**Exercise A.4.** If  $(\sigma, \tau)$  is a Nash equilibrium then, for every  $h_t$  such that  $p^{(\sigma, \sigma)}(h_t) \neq 0$ ,  $(\sigma(h_t), \tau(\bar{h}_t))$  is a Nash equilibrium of  ${}^f G_{h_t}^{(\sigma, \tau)}$ .

This is all we will need, the reader can, however, check as an exercise that the converse is not true, as the following example shows. In fact strategies inducing Nash equilibria in all  ${}^f G_{h_t}^{(\sigma, \tau)}$  correspond to Nash equilibria in the agent normal form of  ${}^N G$ . We need subgame perfection to get an ‘‘iff’’:

**Exercise A.5.** The profile  $(\sigma, \tau)$  is a subgame perfect equilibrium if and only if, for every  $h_t$   $(\sigma(h_t), \tau(h_t))$  is a Nash equilibrium of  ${}^f G_{h_t}^{(\sigma, \tau)}$ .

the if part is an easy backward induction argument.

Now suppose that  $G$ , the stage game, has all its payoffs  $\geq 0$ . In this case equation (A.19) gives:

$${}^N U_{h_t}(\sigma, \tau) \geq \sum_{k_{t+1} | h_t \triangleright k_{t+1}} p_{h_t}^{(\sigma, \tau)}(k_{t+1}) {}^N U_{k_{t+1}}(\sigma, \tau) = E({}^N U_{k_{t+1}}(\sigma, \tau) | h_t) \quad (\text{A.20})$$

the weak inequality comes from the fact that the L.H.S. does not contain the payments at time  $t + 1$ , that are weakly positive given our assumption on the stage game. In technical terms this means that the stochastic process  ${}^N U_{h_t}(\sigma, \tau)$  is a supermartingale. See [7], [8], [11]. The optional stopping time theorem see [7], says that if  $\theta$  is a stopping time then

$${}^N U_{h_t}(\sigma, \tau) \geq E({}^N U_{k_\theta}(\sigma, \tau) | h_t) \quad (\text{A.21})$$

Readers that are not familiar with supermartingales can use the following fact that is actually a slight strengthening of (A.21).

**Exercise A.6.** *Let  $S$  be a set of histories such that, for all  $k_s \in S$ ,  $h_t \triangleright k_s$ <sup>14</sup> and, if  $k_s, j_{s'} \in S$ , then  $k_s \triangleright j_{s'} \rightarrow k_s = j_{s'}$ . (In other words no history in  $S$  is a descendant of another one in  $S$ : they are all “sisters”, “aunts” or “cousins” with disjoint descendants.) The following inequality holds:*

$${}^N U_{h_t}(\sigma, \tau) \geq \sum_{k_s \in S} {}^N U_{k_s}(\sigma, \tau) \quad (\text{A.22})$$

Apart from disregarding the period from  $t$  to  $s$ , the weak inequality here is originated by disregarding also payoffs coming from some of descendants of  $h_t$  not in  $S$ .

## B proofs

**Proof of proposition 5.3:** We break the proof in two propositions, one shows that we can increase or decrease the weights of at least one action in  $\sigma(h_t)$  and one in  $\sigma(\bar{h}_t)$  without leaving  $X$ , the second one uses this fact repeatedly to reduce support and payoffs of  $\sigma$ :

---

<sup>14</sup>this of course implies  $s \geq t$

**Proposition B.1.** *Let  $\sigma \in X$ ,  $X$  ESSp, let  $h_t$  be an asymmetric history, and let  $\text{supp}(\sigma(h_t)) = \mathbf{B}$ ,  $\text{supp}(\sigma(\bar{h}_t)) = \mathbf{C}$ .*

1. *If  $\mathbf{B}$  has at least two elements and  $\mathbf{C}$  is the singleton  $c$  there is a pure actions  $b \in \mathbf{B}$  such that if  $v_- = -\frac{\sigma(h_t)(b)}{1-\sigma(h_t)(b)} < 0$  and if the elementary mutation  $\sigma_v$  is defined for all  $v_- \leq v \leq 1$  as:*

$$\sigma_v(k_s) = \begin{cases} vb + (1-v)\sigma(h_t) & \text{if } k_s = h_t \\ \sigma(k_s) & \text{if } k_s \neq h_t, \bar{h}_t \end{cases}$$

*then all the  $\sigma_v$  are in  $X$ . A similar statement holds if  $\mathbf{B}$  is a singleton and  $\mathbf{C}$  is not.*

2. *Let both  $\mathbf{B}$  and  $\mathbf{C}$  contain at least two elements. There are two pure actions  $b \in \mathbf{B}$  and  $c \in \mathbf{C}$  such that if  $v_- = -\frac{\sigma(h_t)(b)}{1-\sigma(h_t)(b)}$  and  $w_- = -\frac{\sigma(\bar{h}_t)(c)}{1-\sigma(\bar{h}_t)(c)}$  and if the elementary mutation  $\sigma_{v,w}$  is defined for all  $v_- \leq v \leq 1$  and  $w_- \leq w \leq 1$  as:*

$$\sigma_{v,w}(k_s) = \begin{cases} vb + (1-v)\sigma(h_t) & \text{if } k_s = h_t \\ wc + (1-w)\sigma(\bar{h}_t) & \text{if } k_s = \bar{h}_t \\ \sigma(k_s) & \text{if } k_s \neq h_t, \bar{h}_t \end{cases}$$

*then all the  $\sigma_{v,w}$  are in  $X$ .*

The limits on  $v, w$  are taken so that  $\sigma_v$  and  $\sigma_{v,w}$  assign nonnegative weights on all actions.

**Proof:** First of all, note that, if  $p^\sigma(h_t) = 0$  all the  $\sigma_v$  and  $\sigma_{v,w}$  are silent mutations and so are in  $X$  by proposition 3.2. So we can assume that  $p^\sigma(h_t) \neq 0$ .

**Case 1.**

This is easy. Since  $\sigma$  is a Nash equilibrium of  ${}^N G$ ,  $(\sigma(h_t), \sigma(\bar{h}_t))$  is a Nash equilibrium in the forward game  ${}^f G_{h_t}^\sigma$  by exercise A.4. So any  $b \in \mathbf{B} = \text{supp}(\sigma(h_t))$  is a best reply to  $\sigma(\bar{h}_t)$  and so:

$${}^N U(\sigma_v, \sigma) - {}^N U(\sigma, \sigma) = p^\sigma(h_t) [{}^f V_{1,h_t}^\sigma(vb + (1-v)\sigma(h_t), \sigma(\bar{h}_t)) - {}^f V_{1,h_t}^\sigma(\sigma(h_t), \sigma(\bar{h}_t))] \equiv 0 \quad (\text{B.1})$$

by (A.13).

By formula (A.14) the same expression gives  ${}^N U(\sigma_v, \sigma_v) - {}^N U(\sigma, \sigma_v)$  and so all  $\sigma_v$  are in  $X$ .

**Case 2.**

Let us choose

$$(b, c) \in \underset{(x,y), x \in \mathbf{B}, y \in \mathbf{C}}{\text{Argmax}} {}^N W_{h_t}(\sigma)(x, y) \subseteq \underset{(\beta, \gamma), \beta \in \Delta(B), \gamma \in \Delta(C)}{\text{Argmax}} {}^N W_{h_t}(\beta, \gamma) \quad (\text{B.2})$$

Since  ${}^N W$  is a bilinear function and we are allowed to move  $\beta$  and  $\gamma$  independently of each other, the inclusion of Argmax holds, namely the maximum of  ${}^N W_{h_t}(\beta, \gamma)$  is achieved on pure actions. This is the point where we need asymmetry: if  $h_t$  were symmetric, we would need to set  $\beta = \gamma$  in order get a well defined behavior strategy and the function  ${}^N W$ , now being quadratic, could have interior, totally mixed, maxima: it is the problem with the hawk-dove type of forward game that we saw in the example.

We use the pure actions  $b, c$  to construct the  $\sigma_{v,w}$  in the statement of the proposition.

It is obvious that  $\sigma$  is an elementary mutation.

As in case 1, since  $\sigma$  is a Nash equilibrium of  ${}^N G$ ,  $(\sigma(h_t), \sigma(\bar{h}_t))$  is a Nash equilibrium in the forward game  ${}^f G_{h_t}^\sigma$  by exercise A.4.

We have  $b \in \mathbf{B} = \text{supp}(\sigma(h_t))$  and  $c \in \mathbf{C} = \text{supp}(\sigma(\bar{h}_t))$ , so  $b$  is a best reply to  $\sigma(\bar{h}_t)$  and  $c$  is a best reply to  $(\sigma(h_t))$ . So  ${}^f V_{1,h_t}^\sigma(b, \sigma(\bar{h}_t)) = {}^f V_{1,h_t}^\sigma(\sigma, \sigma(\bar{h}_t))$  and  ${}^f V_{2,h_t}^\sigma(\sigma(h_t), c) = {}^f V_{2,h_t}^\sigma(\sigma, \sigma(\bar{h}_t))$  which implies that  ${}^N U(\sigma_{v,w}, \sigma) = {}^N U(\sigma, \sigma)$  by formula (A.16), and so  $\sigma_{v,w}$  is always a best reply.

Moreover  ${}^N U(\sigma_{v,w}, \sigma_{v,w}) - {}^N U(\sigma, \sigma_{v,w}) = p^\sigma(h_t) {}^N W_{h_t}^{(\sigma)}(vb + (1-v)\sigma(h_t), wc + (1-w)\sigma(\bar{h}_t))$ , by formula (A.17), call this function  $f(v, w)$ .

We prove first that  $f(0, w) = f(v, 0) \equiv 0$ . If  $w = 0$  our mutant coincide with  $\sigma$  at  $\bar{h}_t$  and so by the remark after Exercise A.2 the expression for  $f(v, 0)$  coincides with (B.1) and is zero for the same reason. The same holds for  $v = 0$ .

$$\text{This implies that } \left( \frac{\partial f(v,w)}{\partial v} \right)_{|v=w=0} = \left( \frac{\partial f(v,w)}{\partial u} \right)_{|v=w=0} = \left( \frac{\partial^2 f(v,w)}{\partial^2 v} \right)_{|v=w=0} = \left( \frac{\partial^2 f(v,w)}{\partial^2 u} \right)_{|v=w=0} = 0.$$

To prove that the mixed derivative  $\left( \frac{\partial^2 f(v,w)}{\partial u \partial v} \right)_{|v=w=0} = 0$  we observe that on one side we have  $f(1, 1) = p^\sigma(h_t) {}^N W_{h_t}^{(\sigma)}(b, c) \geq 0$ , because  $(b, c)$  is maximizing in equation (B.2). On the other side  $f(1, 1) = {}^N U(\sigma_{1,1}, \sigma_{1,1}) - {}^N U(\sigma, \sigma_{1,1}) \leq 0$  because  $\sigma$  is in an ESSp set and  $\sigma_{1,1}$  is a best reply. It follows

that  $f(1, 1) = 0$ . So  $f(v, v)$  for  $0 \leq v \leq 1$  is a quadratic function of one variable that vanishes with its first derivative at zero and vanishes at one, the only possibility is that it is identically zero. This implies that  $\left(\frac{\partial^2 f(v, w)}{\partial u \partial v}\right)_{|v=w=0} = 0$ . So the function  $f(v, w) = {}^N U(\sigma_{v, w}, \sigma_{v, w}) - {}^N U(\sigma, \sigma_{v, w})$  is identically zero, because it is at most quadratic and all its first and second derivatives vanish. And so  $\sigma_{v, w}$  is in  $X$  for all  $v$  and  $w$  in its range of definition. ■ The next proposition uses the concept of submutation

**Proposition B.2.** *Let  $\sigma$  be as in the previous proposition, then there is an elementary submutation  $\sigma'$  of  $\sigma$  in  $X$  that uses pure actions at  $h_t$  and  $\bar{h}_t$ .*

**Proof:** Suppose first that both  $\mathbf{B}$  and  $\mathbf{C}$  are larger than a one point set.

We will first show that we can take for  $\sigma'$  one of the  $\sigma_{1,1}$ ,  $\sigma_{1,w_-}$ ,  $\sigma_{v_-,1}$  and  $\sigma_{v_-,w_-}$  defined in the previous proposition so as to have smaller support and at the same time  ${}^N U(\sigma', \sigma') \leq {}^N U(\sigma, \sigma)$ .

When each of these four strategies is applied to  $h_t$  and  $\bar{h}_t$  it has support strictly smaller than  $\mathbf{B}$  and  $\mathbf{C}$  respectively, in fact in all cases they are either the action  $b$  or  $c$  or their complements.

Let us now consider the *linear* function  $g(v, w) = {}^N U(\sigma, \sigma_{v, w}) - {}^N U(\sigma, \sigma)$ , defined on the rectangle  $v_- \leq v \leq 1$  and  $w_- \leq w \leq 1$ . This function is zero on  $(0, 0)$ , that lies in the interior of the rectangle, so it is either identically zero or, if it is positive on some vertex, it must be negative on some other(s). Choose for  $\sigma'$  a nonpositive one. We now have  ${}^N U(\sigma, \sigma') \leq {}^N U(\sigma, \sigma)$ , but, by the preceding proposition  ${}^N U(\sigma', \sigma') = {}^N U(\sigma, \sigma')$  so the result follows.

If one of the supports is one point you have a segment instead of a rectangle and the proof is the same.

If  $\sigma'$  does not use pure actions apply repeatedly the previous proposition and the argument above to it until you get the result. ■ this ends the proof.

■

**Proof of lemma 5.2:** We want to estimate

$$\prod_{t=0}^{t=k-1} \left(1 - \frac{N^\beta - t - 2}{N - t - 2}\right)$$

with  $k = N^{1/2} - 1$  and  $\beta = 1/2 + \varepsilon$ . Some easy algebra shows that  $\frac{N^\beta - t - 2}{N - t - 2} \geq \frac{N^\beta - N^{1/2}}{N - N^{1/2}}$ . So, at each of the  $k$  steps up to  $k$ , the measure of the set of consistently bad histories will decay at least by the factor  $\left(1 - \frac{N^\beta - N^{1/2}}{N - N^{1/2}}\right) = \left(1 - \frac{1 - N^{-\varepsilon}}{N^{1/2 - \varepsilon} - N^{-\varepsilon}}\right) \leq \left(1 - \frac{1}{2N^{1/2 - \varepsilon}}\right)$ . Where the last inequality holds for  $N \geq 2^{1/\varepsilon}$ .

So the probability of  $C_k$  will be at most

$$\left(1 - \frac{1}{2N^{1/2-\varepsilon}}\right)^k = \left[\left(1 - \frac{1}{2N^{1/2-\varepsilon}}\right)^{N^{1/2-\varepsilon}}\right]^{\frac{N^{1/2}-1}{N^{1/2-\varepsilon}}}$$

The expression in square brackets converges to  $e^{-1/2}$  uniformly in  $\varepsilon$  and so is smaller than  $e^{-1/3}$  for  $N$  larger than some  $N_1$ , independent of  $\varepsilon$ . For  $N \geq 4$  the exponent  $\frac{N^{1/2}-1}{N^{1/2-\varepsilon}}$  is larger than  $N^\varepsilon/2$ , so if  $\bar{N} = \max(N_1, 4, 2^{1/\varepsilon})$ , the whole expression is less than  $\exp(-N^\varepsilon/6)$ . ■

the symmetric case.

**Proof of theorem 2:**

First a trivial remark: if the stage game is doubly symmetric every outcome in it gives equal payoffs to both players. So players have equal payoffs in the repeated game, the forward games and the continuation games. (See A.1 and A.2 for the definitions)

Moreover, if the history  $h_t$  is symmetric, the forward game  ${}^fG_{h_t}^\sigma$  is symmetric, and so it is doubly symmetric, i.e. for  $h_t$  symmetric we have  ${}^fV_{1,h_t}(x, y) = {}^fV_{2,h_t}(x, y) = {}^fV_{1,h_t}(y, x) = {}^fV_{2,h_t}(y, x)$ .

If  $h_t$  is asymmetric,  ${}^fG_{h_t}^\sigma$  is simply a two player game giving equal payoffs to the two players, i.e  ${}^fV_{1,h_t}(x, y) = {}^fV_{2,h_t}(x, y)$ .

As before, we assume without loss of generality that  $P = 1$ ,  $Q = 0$  and so  $D = 1$ . We let  $a$  be an optimal action, so that  $u(a, a) = 1$ .

We will proceed by induction, for  $N = 1$  there is nothing to prove. Suppose the result is true for games repeated  $N - 1$  times. Let  $X$  be an ESSp for  ${}^N G$ , let  $\sigma \in X$ . We look at what happens at the zero history.

If  $\text{supp}(\sigma)(\aleph) \neq \mathbf{A}$  we are done by proposition 5.2 with  $t = 0$ :  ${}^N U_\aleph(\sigma) \geq N - 1$ .

If  $\text{supp}(\sigma)(\aleph) = \mathbf{A}$ , we prove first an easy lemma.

**Lemma B.1.** *Let  $X$  is an ESSp set for  ${}^N G$ ,  $\sigma \in X$  and  $p^\sigma(h_t) \neq 0$ , then the continuation strategy  ${}^c\sigma_{h_t}$  is in an ESSp set,  ${}^cX$ , for  ${}^cG_{h_t}$ .*

Let  ${}^cX$  be the set of restrictions to  ${}^cG_{h_t}$  of strategies that agree with  $\sigma$  except after  $h_t$  and that are in  $X$ . All elementary mutations of these restrictions in  ${}^cG_{h_t}$  are also elementary mutation of the original strategies in  $X$  and, when playing with elements of  ${}^cX$  or among themselves induce the same changes of payoffs, up to the nonzero factor  $p^\sigma(h_t) \neq 0$ .

Now because of full support,  $(a, a)$  is a symmetric history with non zero probability, and so, by the lemma,  $\sigma$  restricts to a strategy in an ESSp



set in the  $N - 1$  stages continuation game. This implies, by the induction hypothesis, that  ${}^N U_{(a,a)}(\sigma) \geq N - 2$ .

Since  $u(a, a) = 1$  by hypothesis, we have that, in the forward game at stage zero,  ${}^f G_{\aleph}$ :

$${}^f V_{1,\aleph}^\sigma(a, a) = u(a, a) + {}^N U_{(a,a)}(\sigma) \geq N - 1 \quad (\text{B.3})$$

Let now  $\tau$  be the elementary mutation playing  $a$  with probability 1 at time zero and coinciding with of  $\sigma$  elsewhere. So  $\tau(\aleph) = a$ , while  $\sigma(\aleph)$  will be a full support mixed action, denoted by  $\xi$ .

Our result follows from the following sequence of equations:

$$U(\sigma, \sigma) = {}^f V_{1,\aleph}^\sigma(\xi, \xi) = {}^f V_{1,\aleph}^\sigma(a, \xi) \quad (\text{B.4a})$$

$${}^f V_{1,\aleph}^\sigma(a, \xi) = {}^f V_{1,\aleph}^\sigma(\xi, a) \quad (\text{B.4b})$$

$${}^f V_{1,\aleph}^\sigma(\xi, a) \geq {}^f V_{1,\aleph}^\sigma(a, a) \quad (\text{B.4c})$$

$${}^f V_{1,\aleph}^\sigma(\tau, \tau) \geq N - 1 \quad (\text{B.4d})$$

Equation (B.4a) holds because  $\sigma(\aleph)$  is a Nash equilibrium with full support and so  $a$  is a best reply to it.

Equation (B.4b) because the game is a doubly symmetric one.

Equation (B.4c) because of the definition of ESSp.

Equation (B.4d) has been proved from the induction hypothesis in the paragraph above.

■

**Proof for example on page 17:** We check definition 3.1. Let  $\tau$  be a strategy in the neighborhood of  $\sigma$ . If  $\tau$  is to be a best reply to  $\sigma$ , its support must satisfy

$$\text{supp}(\tau(h_t)) = \begin{cases} \{a, b, c\} & \text{if } h_t = h_0 = \aleph \\ \{b, c\} & \text{if } h_t = (a, a), (b, b) \text{ or } (c, c) \\ c & \text{if } h_t = (a, b), (a, c) \text{ or } (b, c) \\ b & \text{if } h_t = (b, a), (c, a) \text{ or } (c, b) \end{cases} \quad (\text{B.5})$$

so  $\tau(h_1) = \sigma(h_1)$  if  $h_1$  is asymmetric. If  $h_1$  is symmetric it is easily seen that  $u(\sigma(h_1), \tau(h_1)) = 1.5$  and  $u(\tau(h_1), \tau(h_1)) = 1.5 - \lambda(\tau)$ , where  $\lambda(\tau) \geq 0$  and strict inequality holds if  $\tau \neq \sigma$ . It follows that the payoffs of the forward game at stage one are:

$$V_{1,\aleph}^{\sigma,\tau} = V_{1,\aleph}^{\sigma,\sigma} \quad (\text{B.6a})$$

$$V_{1,\aleph}^{\tau,\tau} = V_{1,\aleph}^{\sigma,\sigma} - \lambda(\tau)I \quad (\text{B.6b})$$

where  $V_{1,\aleph}^{\sigma,\sigma}$  is the game (4.6) and  $I$  denotes the payoffs of the game

$$\begin{array}{c} a \quad b \quad c \\ a \begin{pmatrix} 1 & 0 & 0 \\ 0 & 1 & 0 \\ 0 & 0 & 1 \end{pmatrix} \\ b \\ c \end{array}$$

If we call  $V$  the matrix of the  $V_{1,\aleph}^{\sigma,\sigma}$ , and  $\sigma_1$  and  $\tau_1$  the vectors of mixed actions taken at stage one by  $\sigma$  and  $\tau$  respectively, we have that

$${}^2U(\tau, \tau) - {}^2U(\sigma, \sigma) = (\tau_1 - \sigma_1, V(\tau_1 - \sigma_1)) - \lambda(\tau) (\tau_0, \tau_0)$$

by a standard calculation. But now  $V$  is negative definite on the orthogonal complement of  $(1, 1, 1)$  and  $\lambda(\tau)$  is as above so we have  ${}^2U(\tau, \tau) \leq {}^2U(\sigma, \sigma)$  with equality only if  $\tau = \sigma$ , proving that  $\sigma$  is an ES strategy and so also an ESSet. ■