

# Valuation Equilibrium - Extensions and Applications

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Abstract: In the talk, I first reconsider the valuation equilibrium concept (Jehiel and Samet, 2007) and propose an additional regularity condition concerning the players' equilibrium strategies. The condition, which can be shown not to conflict with existence, requires equilibrium strategies to induce the same local behaviour at all nodes with "similar" optimal actions. As I will demonstrate, it increases both the predictive power and the internal consistency of the concept -- especially when used as a tool to study boundedly rational behaviour in games with imperfect information and/or imperfect recall. In a second step, I discuss a way to partly endogenise the grouping of actions entailed in the concept allowing players to differentiate between a priori similar actions based on differences in the preceding history at some cost. Applying the modified concept yields results which conflict with common arguments in favour of a first-mover advantage thereby highlighting the comparably high degree of rationality implicitly entailed in such arguments.