SEMESTER S7

GAME THEORY AND MECHANISM DESIGN

Course Code	**PECST753**	**CIE Marks**	40
Teaching Hours/Week (L: T:P: R)	3:0:0:0	**ESE Marks**	60
Credits	3	**Exam Hours**	2 Hrs. 30 Min.
Prerequisites (if any)	None	**Course Type**	Theory

Course Objectives:

1. To equip students with a general purpose tool to analyze strategic behavior in multi-agent interaction
2. To discuss the mathematical details of analyzing and designing strategic interactions.

SYLLABUS

Module No.	Syllabus Description	Contact Hours
1	Introduction to Game Theory - Competitive equilibrium, Rationality; Strategic Games - Dominance, Nash equilibrium, Maxmin strategies, elimination of dominated strategies, preservation of pure Nash equilibrium (PSNE), matrix games, relation between maxmin and PSNE in matrix games Mixed strategies, mixed strategy Nash equilibrium (MSNE), finding MSNE, MSNE characterization theorem, algorithm to find MSNE	**8**
2	Correlated equilibrium (CE) - Computing CE, extensive form games, subgame perfection, limitations of subgame perfect Nash equilibrium; Imperfect information extensive form games (IIEFG) - strategies in IIEFGs, equivalence of strategies in IIEFGs, perfect recall, Equilibrium in IIEFG; Game theory application - P2P file sharing; Bayesian games - strategy and utility in Bayesian games, equilibrium in Bayesian games.	**11**
3	Introduction to mechanism design - revelation principle, introduction and proof of Arrow's impossibility result, introduction to social choice setup; Introduction and proof of Gibbard-Satterthwaite theorem, domain restriction, median voter theorem; Task sharing domain, uniform rule, mechanism design with transfers, examples of quasi-linear preferences, Pareto optimality and Groves payments	**9**

4	Introduction to VCG mechanism, VCG in Combinatorial allocations, applications to Internet advertising, slot allocation and payments in position auctions, pros and cons of VCG mechanism; Affine maximizers, single object allocation, Myerson's lemma, optimal mechanism design; Single and multi-agent optimal mechanism design, examples of optimal mechanisms	**8**

Course Assessment Method
(CIE: 40 marks, ESE: 60 marks)

Continuous Internal Evaluation Marks (CIE):

Attendance	Assignment/ Microproject	Internal Examination-1 (Written)	Internal Examination- 2 (Written)	Total
5	**15**	**10**	**10**	**40**

End Semester Examination Marks (ESE)

In Part A, all questions need to be answered and in Part B, each student can choose any one full question out of two questions

Part A	Part B	Total
• 2 Questions from each module. • Total of 8 Questions, each carrying 3 marks **(8x3 =24 marks)**	• Each question carries 9 marks. • Two questions will be given from each module, out of which 1 question should be answered. • Each question can have a maximum of 3 subdivisions. **(4x9 = 36 marks)**	**60**

Course Outcomes (COs)

At the end of the course students should be able to:

Course Outcome		Bloom's Knowledge Level (KL)
CO1	Differentiate between different types of games Identify various equilibria within games	**K3**
CO2	Identify strategic interactions.	**K3**
CO3	Describe the basic concepts of non-cooperative and cooperative games.	**K2**
CO4	Apply the concepts in different game scenarios.	**K3**

Note*: K1- Remember, K2- Understand, K3- Apply, K4- Analyse, K5- Evaluate, K6- Create*

CO-PO Mapping Table (Mapping of Course Outcomes to Program Outcomes)

	PO1	PO2	PO3	PO4	PO5	PO6	PO7	PO8	PO9	PO10	PO11	PO12
CO1	3	3	3									3
CO2	3	3	3									3
CO3	3	3	3									3
CO4	3	3	3									3

Note: *1: Slight (Low), 2: Moderate (Medium), 3: Substantial (High), -: No Correlation*

Text Books				
Sl. No	**Title of the Book**	**Name of the Author/s**	**Name of the Publisher**	**Edition and Year**
1	An Introduction to Game Theory	Martin Osborne	Cambridge University Press	1/e, 2004
2	Game Theory and Mechanism Design	Y. Narahari	World Scientific and IISc Press	1/e, 2013

Reference Books				
Sl. No	**Title of the Book**	**Name of the Author/s**	**Name of the Publisher**	**Edition and Year**
1	Game Theory 101: The Complete Textbook	William Spaniel	Self	1/e,
2	Game Theory - An Introduction	Steven Tadelis	Princeton University Press	1/e, 2013

Video Links (NPTEL, SWAYAM…)	
Module No.	**Link ID**
1	https://archive.nptel.ac.in/courses/106/101/106101237/
2	https://www.masfoundations.org/
3	
4	