

Global Games Selection in Games with Strategic Substitutes or Complements

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Global games methods are aimed at resolving issues of multiplicity of equilibria and coordination failure that arise in game theoretic models by relaxing common knowledge assumptions about an underlying parameter. These methods have recently received a lot of attention when the underlying complete information game is one of strategic complements (GSC). Little has been done in this direction concerning games of strategic substitutes (GSS), however. This paper complements the existing literature in both cases by extending the global games method developed by Carlsson and Van Damme (1993) to N-player, multiple-action GSS and GSC, using a p-dominance condition as the selection criterion. Moreover, this approach is much less restrictive on the conditions that payoffs and the underlying parameter space must satisfy, and therefore serves to circumvent recent criticisms to global games methods. The second part of this paper generalizes the model by allowing groups of players to receive homogeneous signals, which, under certain conditions, strengthens the model's power of predictability.