

On the foundation of stability*

Xiao Luo[†]

Institute of Economics, Academia Sinica, Taipei 115, Taiwan, ROC

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Abstract

The concept of stability *à la* J. von Neumann and O. Morgenstern, which is composed of a pair of internal and external stability requirements, formalizes the idea of standard of behavior. This paper studies the decision-theoretic foundation of stability, by establishing some epistemic conditions for a “stable” pattern of behavior in the context of strategic interaction. *JEL Classification:* C70, C71, D81.

Keywords: game theory, stable sets, rationality, common knowledge

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[†]Tel.: +886-2-2782 2791; fax: +886-2-2785 3946; e-mail: xluo@econ.sinica.edu.tw; <http://www.sinica.edu.tw/~xluo/>.