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INFORMATION AT EQUILIBRIUM

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Abstract

In a game with rational expectations individuals refine their information with the information revealed by the strategies of other individuals: their elementary acts of other individuals at each state of the world. At a Nash of a game with rational expectations, the information of individuals is essentially symmetric: the same profile is also an equilibrium of a game with symmetric information; and their acts are common knowledge. If each player has a veto act, which yields a minimum payoff that no other profile of strategies attains, then the veto profile is the only Nash equilibrium, and it is an equilibrium with rational expectations and essentially symmetric information; which accounts for the impossibility of speculation.

Keywords: Nash equilibrium, rational expectations, common knowledge.

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