

# Introduction to Game Theory and Applications

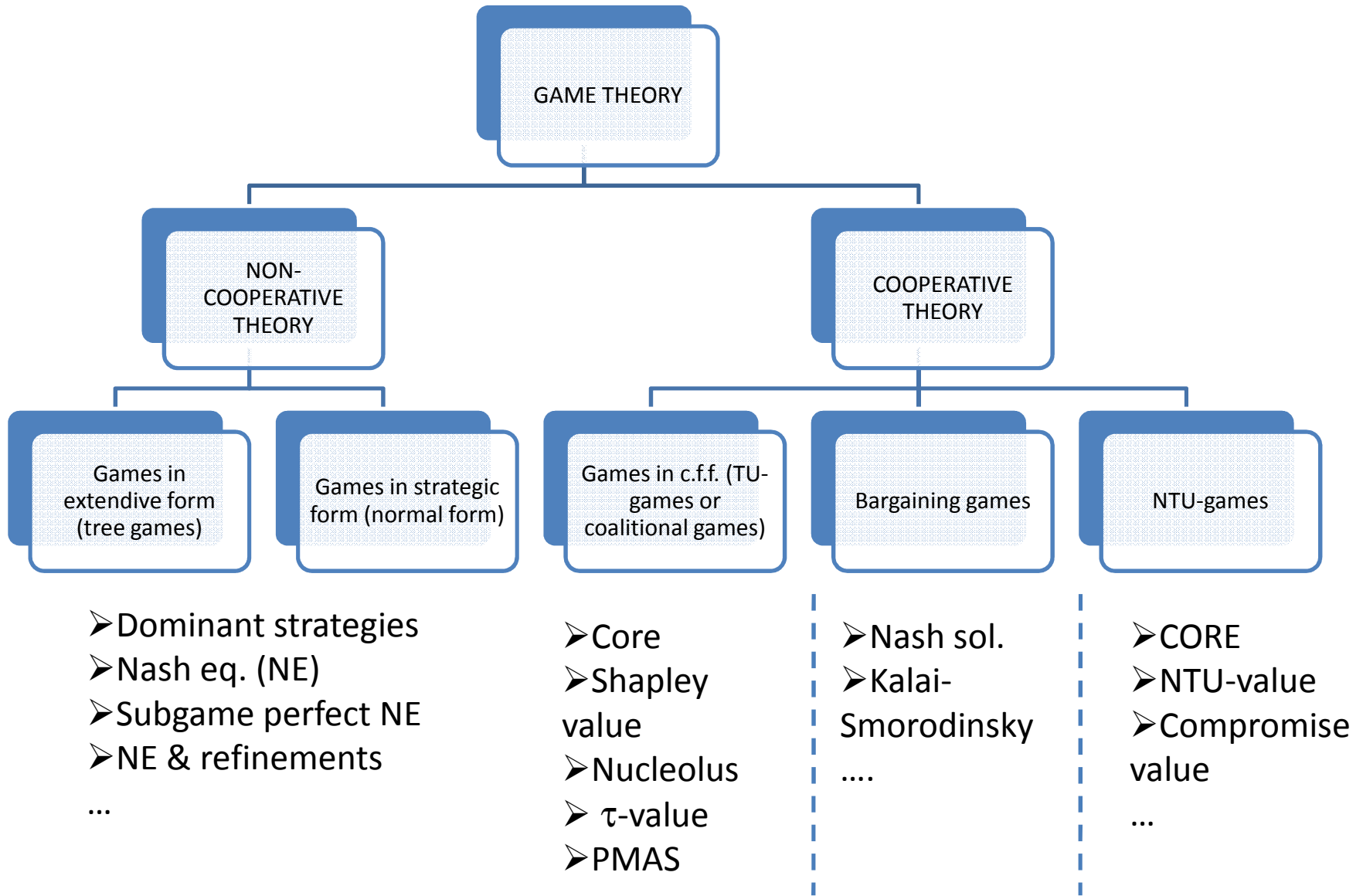
Stefano MORETTI and Fioravante PATRONE

LAMSADE (CNRS), Paris Dauphine

and

DIPTTEM, University of Genoa

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**No binding agreements**  
**No side payments**  
**Q: Optimal behaviour in conflict situations**

....  
**binding agreements**  
**side payments are possible (sometimes)**  
**Q: Reasonable (cost, reward)-sharing**

## How to share $v(N)$ ...

- The Core of a game can be used to exclude those allocations which are *not stable*.
- But the core of a game can be a bit “*extreme*” (see for instance the glove game)
- Sometimes the core is *empty* (see for example the game with pirates)
- And if it is not empty, there can be many allocations in the core (*which is the best?*)

## An axiomatic approach (Shapley (1953))

- Similar to the approach of Nash in bargaining:  
*which properties an allocation method should satisfy in order to divide  $v(N)$  in a reasonable way?*
- Given a subset  $\mathbf{C}$  of  $\mathbf{G}^N$  (class of all TU-games with  $N$  as the set of players) a *(point map) solution* on  $\mathbf{C}$  is a map  $\Phi: \mathbf{C} \rightarrow \mathbb{R}^N$ .
- For a solution  $\Phi$  we shall be interested in various properties...

# Symmetry

PROPERTY 1(SYM) For all games  $v \in \mathbf{G}^N$ ,

If  $v(S \cup \{i\}) = v(S \cup \{j\})$  for all  $S \in 2^N$  s.t.  $i, j \in N \setminus S$ ,  
then  $\Phi_i(v) = \Phi_j(v)$ .

## EXAMPLE

Consider a TU-game  $(\{1,2,3\}, v)$  s.t.  $v(1) = v(2) = v(3) = 0$ ,  
 $v(1, 2) = v(1, 3) = 4$ ,  $v(2, 3) = 6$ ,  $v(1, 2, 3) = 20$ .

Players 2 and 3 are symmetric. In fact:

$$v(\emptyset \cup \{2\}) = v(\emptyset \cup \{3\}) = 0 \text{ and } v(\{1\} \cup \{2\}) = v(\{1\} \cup \{3\}) = 4$$

If  $\Phi$  satisfies SYM, then  $\Phi_2(v) = \Phi_3(v)$

# Efficiency

PROPERTY 2 (EFF) For all games  $v \in \mathbf{G}^N$ ,

$\sum_{i \in N} \Phi_i(v) = v(N)$ , i.e.,  $\Phi(v)$  is a *pre-imputation*.

## Null Player Property

DEF. Given a game  $v \in \mathbf{G}^N$ , a player  $i \in N$  s.t.

$v(S \cup i) = v(S)$  for all  $S \in 2^N$  will be said to be a null player.

PROPERTY 3 (NPP) For all games  $v \in \mathbf{G}^N$ ,  $\Phi_i(v) = 0$  if  $i$  is a null player.

EXAMPLE Consider a TU-game  $(\{1,2,3\}, v)$  such that

$v(1) = 0$ ,  $v(2) = v(3) = 2$ ,  $v(1, 2) = v(1, 3) = 2$ ,  $v(2, 3) = 6$ ,

$v(1, 2, 3) = 6$ . Player 1 is a null player. Then  $\Phi_1(v) = 0$

**EXAMPLE** Consider a TU-game  $(\{1,2,3\}, v)$  such that  $v(1) = 0$ ,  $v(2) = v(3) = 2$ ,  $v(1, 2) = v(1, 3) = 2$ ,  $v(2, 3) = 6$ ,  $v(1, 2, 3) = 6$ . On this particular example, if  $\Phi$  satisfies NPP, SYM and EFF we have that

$\Phi_1(v) = 0$  by NPP

$\Phi_2(v) = \Phi_3(v)$  by SYM

$\Phi_1(v) + \Phi_2(v) + \Phi_3(v) = 6$  by EFF

So  $\Phi = (0, 3, 3)$

But our goal is to characterize  $\Phi$  on  $\mathbf{G}^N$ .

One more property is needed.

# Additivity

PROPERTY 2 (ADD) Given  $v, w \in \mathbf{G}^N$ ,

$$\Phi(v) + \Phi(w) = \Phi(v + w).$$

EXAMPLE Consider two TU-games  $v$  and  $w$  on  $N = \{1, 2, 3\}$

$$v(1) = 3$$

$$v(2) = 4$$

$$v(3) = 1$$

$$v(1, 2) = 8$$

$$v(1, 3) = 4$$

$$v(2, 3) = 6$$

$$v(1, 2, 3) = 10$$

 $\Phi$  $+$ 

$$w(1) = 1$$

$$w(2) = 0$$

$$w(3) = 1$$

$$w(1, 2) = 2$$

$$w(1, 3) = 2$$

$$w(2, 3) = 3$$

$$w(1, 2, 3) = 4$$

 $\Phi$  $=$ 

$$v+w(1) = 4$$

$$v+w(2) = 4$$

$$v+w(3) = 2$$

$$v+w(1, 2) = 10$$

$$v+w(1, 3) = 6$$

$$v+w(2, 3) = 9$$

$$v+w(1, 2, 3) = 14$$

 $\Phi$



## Theorem 1 (Shapley 1953)

There is a unique point map solution  $\phi$  defined on  $\mathbf{G}^N$  that satisfies EFF, SYM, NPP, ADD. Moreover, for any  $i \in N$  we have that

$$\phi_i(v) = \frac{1}{n!} \sum_{\sigma \in \Pi} m_i^\sigma(v)$$

Here  $\Pi$  is the set of all permutations  $\sigma: N \rightarrow N$  of  $N$ , while  $m_i^\sigma(v)$  is the marginal contribution of player  $i$  according to the permutation  $\sigma$ , which is defined as:

$v(\{\sigma(1), \sigma(2), \dots, \sigma(j)\}) - v(\{\sigma(1), \sigma(2), \dots, \sigma(j-1)\})$ ,  
where  $j$  is the unique element of  $N$  s.t.  $i = \sigma(j)$ .

## Probabilistic interpretation: (the “room parable”)

- Players gather one by one in a room to create the “grand coalition”, and each one who enters gets his marginal contribution.
- Assuming that all the different orders in which they enter are equiprobable, the Shapley value gives to each player her/his expected payoff.

### Example

$(N, v)$  such that

$N = \{1, 2, 3\}$ ,

$v(1) = v(3) = 0$ ,

$v(2) = 3$ ,

$v(1, 2) = 3$ ,

$v(1, 3) = 1$ ,

$v(2, 3) = 4$ ,

$v(1, 2, 3) = 5$ .

Permutation	1	2	3
1,2,3	0	3	2
1,3,2	0	4	1
2,1,3	0	3	2
2,3,1	1	3	1
3,2,1	1	4	0
3,1,2	1	4	0
Sum	3	21	6
$\phi(v)$	3/6	21/6	6/6

## Example

$(N, v)$  such that

$N = \{1, 2, 3\}$ ,

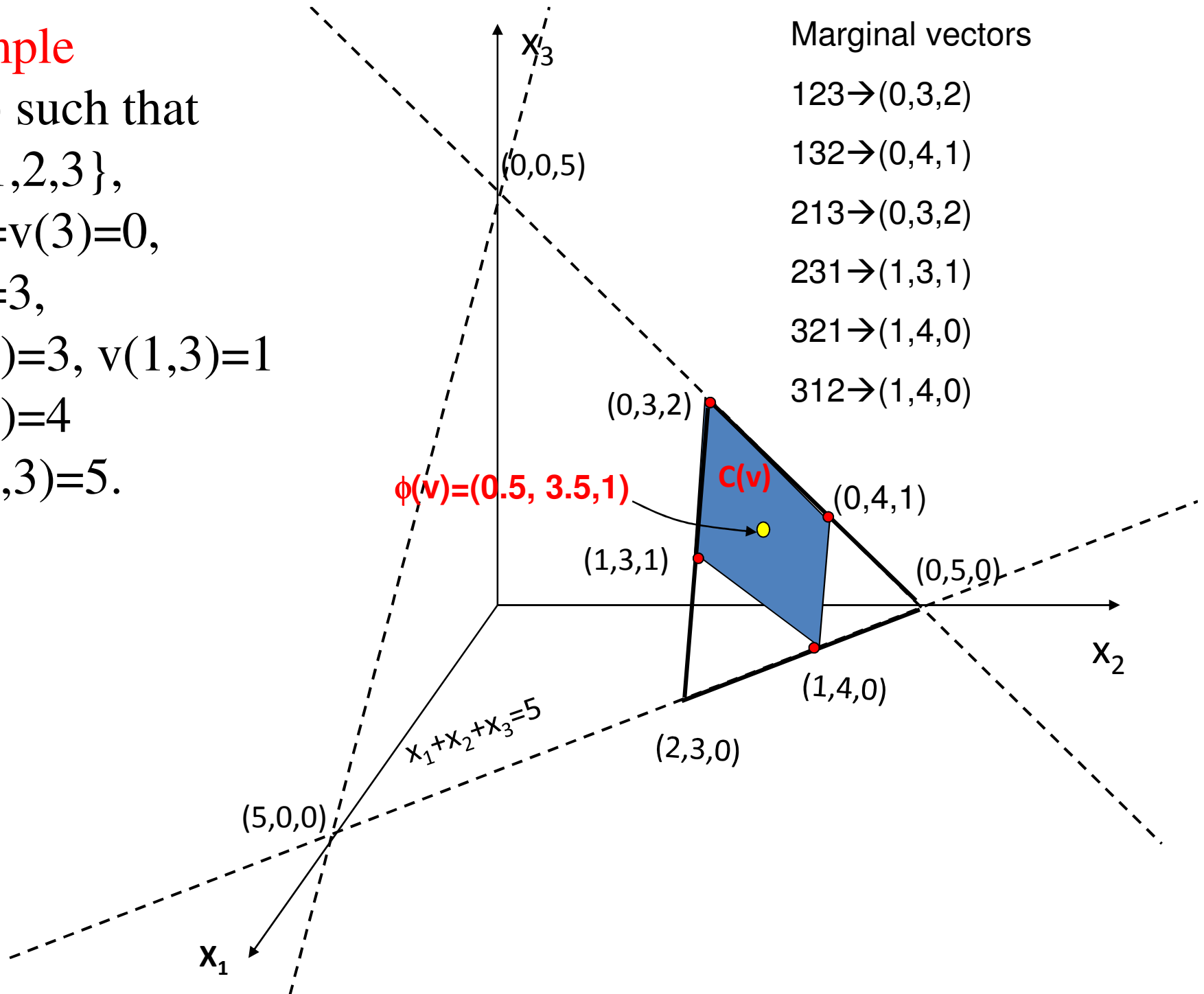
$v(1) = v(3) = 0$ ,

$v(2) = 3$ ,

$v(1, 2) = 3$ ,  $v(1, 3) = 1$

$v(2, 3) = 4$

$v(1, 2, 3) = 5$ .



## Exercise

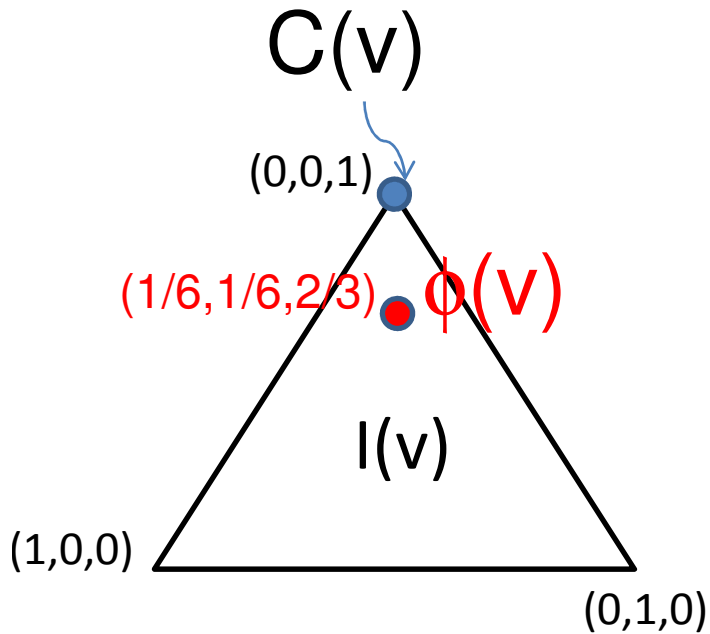
Calculate the Shapley value of the TU-game  $(N, v)$  such that  $N = \{1, 2, 3\}$ ,  
 $v(1) = 3$   
 $v(2) = 4$   
 $v(3) = 1$   
 $v(1, 2) = 8$   
 $v(1, 3) = 4$   
 $v(2, 3) = 6$   
 $v(1, 2, 3) = 10$

Permutation	1	2	3
1,2,3			
1,3,2			
2,1,3			
2,3,1			
3,2,1			
3,1,2			
Sum			
$\phi(v)$			

## Example

(Glove game with  $L=\{1,2\}$ ,  $R=\{3\}$ )

$v(1,3)=v(2,3)=v(1,2,3)=1$ ,  $v(S)=0$  otherwise



Permutation	1	2	3
1,2,3	0	0	1
1,3,2	0	0	1
2,1,3	0	0	1
2,3,1	0	0	1
3,2,1	0	1	0
3,1,2	1	0	0
<b>Sum</b>	<b>1</b>	<b>1</b>	<b>4</b>
$\phi(v)$	<b>1/6</b>	<b>1/6</b>	<b>4/6</b>

# Unanimity games (1)

➤ **DEF** Let  $T \in 2^N \setminus \{\emptyset\}$ . The *unanimity game* on  $T$  is defined as the TU-game  $(N, u_T)$  such that

$$u_T(S) = \begin{cases} 1 & \text{if } T \subseteq S \\ 0 & \text{otherwise} \end{cases}$$

- Note that the class  $\mathbf{G}^N$  of all  $n$ -person TU-games is a vector space (obvious what we mean for  $v+w$  and  $\alpha v$  for  $v, w \in \mathbf{G}^N$  and  $\alpha \in \mathbb{R}$ ).
- the dimension of the vector space  $\mathbf{G}^N$  is  $2^n - 1$ , where  $n = |N|$ .
- $\{u_T \mid T \in 2^N \setminus \{\emptyset\}\}$  is an interesting basis for the vector space  $\mathbf{G}^N$ .

## Unanimity games (2)

- Every coalitional game  $(N, v)$  can be written as a linear combination of unanimity games in a unique way, i.e.,  $v = \sum_{S \in 2^N} \lambda_S(v) u_S$ .
- The coefficients  $\lambda_S(v)$ , for each  $S \in 2^N$ , are called unanimity coefficients of the game  $(N, v)$  and are given by the formula:  $\lambda_S(v) = \sum_{T \in 2^S} (-1)^{s-t} v(T)$ .

**EXAMPLE** Unanimity coefficients of  $(\{1,2,3\}, v)$

$$v(1) = 3$$

$$\lambda_1(v) = 3$$

$$\lambda_S(v) = \sum_{T \in 2^S} (-1)^{s-t} v(T)$$

$$v(2) = 4$$

$$\lambda_2(v) = 4$$

$$v(3) = 1$$

$$\lambda_3(v) = 1$$

$$v(1, 2) = 8$$

$$\lambda_{\{1,2\}}(v) = -3-4+8=1$$

$$v(1, 3) = 4$$

$$\lambda_{\{1,3\}}(v) = -3-1+4=0$$

$$v(2, 3) = 6$$

$$\lambda_{\{2,3\}}(v) = -4-1+6=1$$

$$v(1, 2, 3) = 10$$

$$\lambda_{\{1,2,3\}}(v) = -3-4-1+8+4+6-10=0$$

$$v = 3u_{\{1\}}(v) + 4u_{\{2\}}(v) + u_{\{3\}}(v) + u_{\{1,2\}}(v) + u_{\{2,3\}}(v)$$



## Sketch of the Proof of Theorem 1

- Shapley value satisfies EFF, SYM, NPP, ADD (“easy” to prove).
- Properties EFF, SYM, NPP determine  $\phi$  on the class of all games  $\alpha v$ , with  $v$  a unanimity game and  $\alpha \in \mathbb{R}$ .
  - Let  $S \in 2^N$ . The Shapley value of the unanimity game  $(N, u_S)$  is given by
$$\phi_i(\alpha u_S) = \begin{cases} \alpha/|S| & \text{if } i \in S \\ 0 & \text{otherwise} \end{cases}$$
- Since the class of unanimity games is a basis for the vector space, ADD allows to extend  $\phi$  in a unique way to  $\mathbf{G}^N$ .

## An alternative formulation

- Let  $m_i^{\sigma'}(v) = v(\{\sigma'(1), \sigma'(2), \dots, \sigma'(j)\}) - v(\{\sigma'(1), \sigma'(2), \dots, \sigma'(j-1)\})$ , where  $j$  is the unique element of  $N$  s.t.  $i = \sigma'(j)$ .
- Let  $S = \{\sigma'(1), \sigma'(2), \dots, \sigma'(j)\}$ .
- **Q:** How many other orderings  $\sigma \in \Pi$  do we have in which  $\{\sigma(1), \sigma(2), \dots, \sigma(j)\} = S$  and  $i = \sigma(j)$ ?
- **A:** they are precisely  $(|S|-1)! \times (|N|-|S|)!$
- Where  $(|S|-1)!$  Is the number of orderings of  $S \setminus \{i\}$  and  $(|N|-|S|)!$  Is the number of orderings of  $N \setminus S$
- We can rewrite the formula of the Shapley value as the following:

$$\phi_i(v) = \sum_{S \in 2^N : i \in S} \frac{(s-1)!(n-s)!}{n!} (v(S) - v(S \setminus \{i\}))$$

# Alternative properties

- **PROPERTY 5** (Anonymity, ANON) Let  $(N, v) \in \mathbf{G}^N$ ,  $\sigma: N \rightarrow N$  be a permutation. Then,  $\Phi_{\sigma(i)}(\sigma v) = \Phi_i(v)$  for all  $i \in N$ .
  - Here  $\sigma v$  is the game defined by:  $\sigma v(S) = v(\sigma(S))$ , for all  $S \in 2^N$ .
  - Interpretation:** The meaning of ANON is that whatever a player gets via  $\Phi$  should depend only on the *structure* of the game  $v$ , not on his “name”, i.e., the way in which he is labelled.
- **DEF** (Dummy Player) Given a game  $(N, v)$ , a player  $i \in N$  s.t.  $v(S \cup \{i\}) = v(S) + v(i)$  for all  $S \in 2^N$  will be said to be a dummy player.
- **PROPERTY 6** (Dummy Player Property, DPP) Let  $v \in \mathbf{G}^N$ . If  $i \in N$  is a dummy player, then  $\Phi_i(v) = v(i)$ .

**NB:** often NPP and SYM are replaced by DPP and ANON, respectively.

# Characterization on a subclass

- Shapley and Shubik (1954) proposed to use the Shapley value as a power index,
- ADD property does not impose any restriction on a solution map defined on the class of simple games  $S^N$ , which is the class of games such that  $v(S) \in \{0,1\}$  (often is added the requirement that  $v(N) = 1$ ).
- Therefore, the classical conditions are not enough to characterize the Shapley–Shubik value on  $S^N$ .
- We need a condition that resembles ADD and can substitute it to get a characterization of the Shapley–Shubik (Dubey (1975)) index on  $S^N$ :

**PROPERTY 7** (Transfer, TRNSF) For any  $v, w \in S(N)$ , it holds:

$$\Phi(v \vee w) + \Phi(v \wedge w) = \Phi(v) + \Phi(w).$$

Here  $v \vee w$  is defined as  $(v \vee w)(S) = (v(S) \vee w(S)) = \max\{v(S), w(S)\}$ ,  
and  $v \wedge w$  is defined as  $(v \wedge w)(S) = (v(S) \wedge w(S)) = \min\{v(S), w(S)\}$ ,



# Reformulations

Other axiomatic approaches have been provided for the Shapley value, of which we shall briefly describe those by Young and by Hart and Mas-Colell.

**PROPERTY 8** (Marginalism, MARG) A map  $\Psi : \mathbf{G}^N \rightarrow \mathbf{IR}^N$  satisfies MARG if, given  $v, w \in \mathbf{G}^N$ , for any player  $i \in N$  s.t.  $v(S \cup \{i\}) - v(S) = w(S \cup \{i\}) - w(S)$  for each  $S \in 2^N$ ,

the following is true:

$$\Psi_i(v) = \Psi_i(w).$$

**Theorem 2** (Young 1988) There is a unique map  $\Psi$  defined on  $\mathbf{G}(N)$  that satisfies EFF, SYM, and MARG. Such a  $\Psi$  coincides with the Shapley value.

EXAMPLE Two TU-games  $v$  and  $w$  on  $N=\{1,2,3\}$

$$v(1) = 3$$

$$v(2) = 4$$

$$v(3) = 1$$

$$v(1, 2) = 8$$

$$v(1, 3) = 4$$

$$v(2, 3) = 6$$

$$v(1, 2, 3) = 10$$

$$w(1) = 2$$

$$w(2) = 3$$

$$w(3) = 1$$

$$w(1, 2) = 2$$

$$w(1, 3) = 3$$

$$w(2, 3) = 5$$

$$w(1, 2, 3) = 4$$

$$w(\emptyset \cup \{3\}) - w(\emptyset) = v(\emptyset \cup \{3\}) - v(\emptyset) = 1$$

$$w(\{1\} \cup \{3\}) - w(\{1\}) = v(\{1\} \cup \{3\}) - v(\{1\}) = 1$$

$$w(\{2\} \cup \{3\}) - w(\emptyset) = v(\{2\} \cup \{3\}) - v(\emptyset) = 1$$

$$w(\{1,2\} \cup \{3\}) - w(\{1,2\}) = v(\{1,2\} \cup \{3\}) - v(\{1,2\}) = 1$$



$$\Psi_3(v) = \Psi_3(w).$$

# Potential

- A quite different approach was pursued by Hart and Mas-Colell (1987).
- To each game  $(N, v)$  one can associate a real number  $P(N, v)$  (or, simply,  $P(v)$ ), its *potential*.
- The “partial derivative” of  $P$  is defined as

$$D^i(P)(N, v) = P(N, v) - P(N \setminus \{i\}, v_{|_{N \setminus \{i\}}})$$

**Theorem 3** (Hart and Mas-Colell 1987) There is a unique map  $P$ , defined on the set of all finite games, that satisfies:

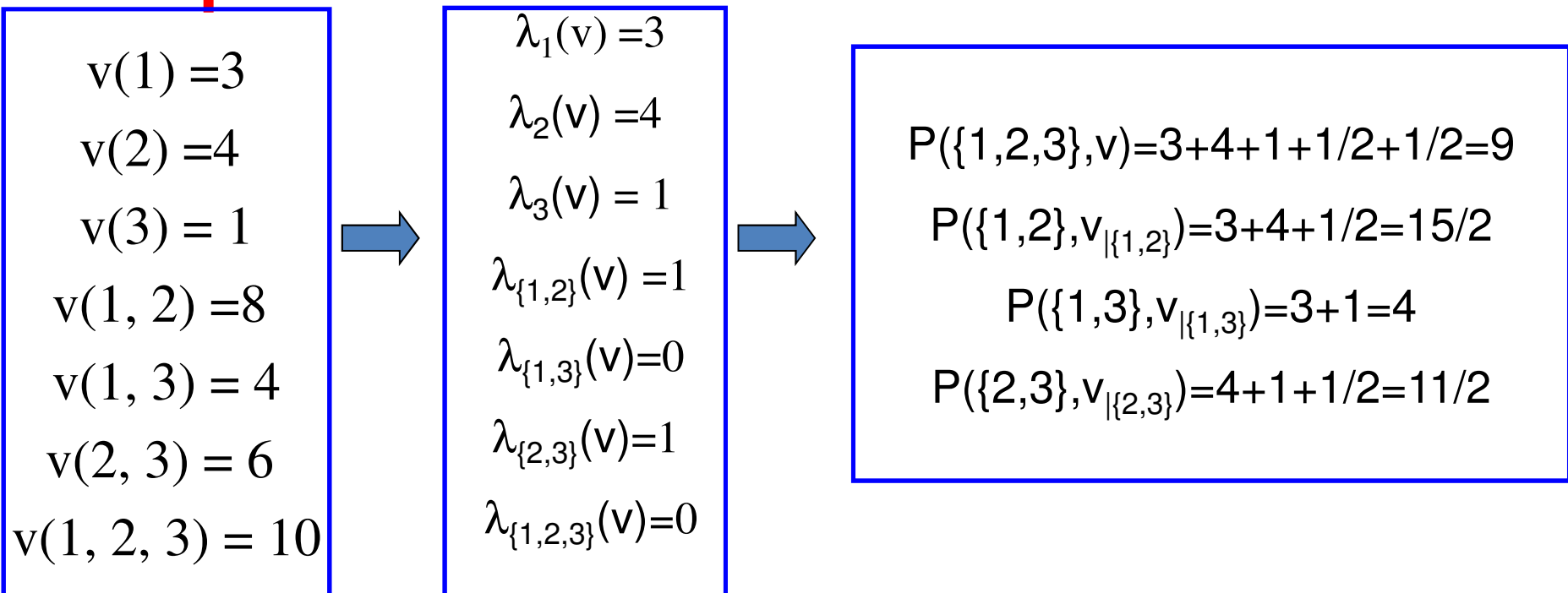
- 1)  $P(\emptyset, v_0) = 0$ ,
- 2)  $\sum_{i \in N} D^i P(N, v) = v(N)$ .

Moreover,  $D^i(P)(N, v) = \phi_i(v)$ . [ $\phi(v)$  is the Shapley value of  $v$ ]



- there are formulas for the calculation of the potential.
- For example,  $P(N, v) = \sum_{S \in 2^N} \lambda_S / |S|$  (*Harsanyi dividends*)

## Example



$$\phi_1(v) = P(\{1,2,3\}, v) - P(\{2,3\}, v_{|\{2,3\}}) = 9 - 11/2 = 7/2$$

$$\phi_2(v) = P(\{1,2,3\}, v) - P(\{1,3\}, v_{|\{2,3\}}) = 9 - 4 = 5$$

$$\phi_3(v) = P(\{1,2,3\}, v) - P(\{1,2\}, v_{|\{2,3\}}) = 9 - 15/2 = 3/2$$

# Communication networks

**Networks** → several interpretations:

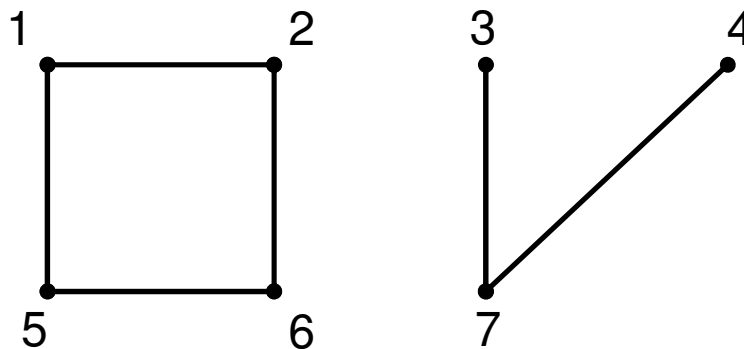
- A way to describe games in extensive form
- Physical connections between individuals, companies, cities...
- Cooperation or communication restrictions between players
  - communications can be described as undirected or directed *graphs, hypergraphs, partitions.*

## Communication networks as undirected graphs:

- An *undirected graph* is a pair  $(N,L)$  where
- $N$  is a set of *vertices* (later, *agents* or *players*)
- $L = \{ \{i,j\} \mid \{i,j\} \subseteq N, i \neq j \}$  is the set of *edges* (bilateral *communication links*)
- A communication graph  $(N,L)$  should be interpreted as a way to model restricted cooperation:
  - Players can cooperate with each other if they are connected (*directly*, or *indirectly* via a path)
  - Indirect communication between two players requires the cooperation of players on a connecting path.

## Example

Consider the undirected graph  $(N,L)$  with  $N=\{1,2,3,4,5,6,7\}$  and  $L=\{\{1,2\}, \{2,6\}, \{5,6\}, \{1,5\}, \{3,7\}, \{4,7\}\}$



Some notations:

$$L_2 = \{\{1,2\}, \{2,6\}\}$$

$$N \setminus L = \{\{1,2,5,6\}, \{3,4,7\}\}$$

set of components

$$L_{-2} = \{\{5,6\}, \{1,5\}, \{3,7\}, \{4,7\}\} \quad N \setminus L_{-2} = \{\{1,5,6\}, \{3,4,7\}, \{2\}\}$$

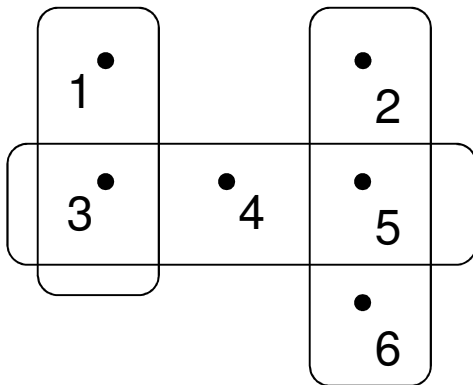
$$N(\{\{1,2\}, \{2,6\}, \{3,7\}\}) = \{1,2,6,3,7\}$$

# Communication within hypergraphs

- A *hypergraph* is a pair  $(N, C)$  with  $N$  the player set and  $C$  a family of subsets of  $N$ .
- An element  $H \in C$  is called a *conference*.
- **Interpretation:** communication between players in a hypergraph can only take place within a conference.

## Example

Consider the hypergraph  $(N, C)$  with  $N = \{1, 2, 3, 4, 5, 6\}$  and  $C = \{\{1, 3\}, \{3, 4, 5\}, \{2, 5, 6\}\}$



Some notations:

A path from 1 to 2:  $(1, \{1, 3\}, 3, \{3, 4, 5\}, 4, \{3, 4, 5\}, 5, \{2, 5, 6\}, 2)$

$N \setminus C = \{N\}$  **set of components**

If  $R = \{1, 2, 3, 4, 5\}$  then  $R \setminus C = \{\{1, 3, 4, 5\}, \{2\}\}$

## Communication within cooperation structure

- A *cooperation structure* is a pair  $(N, B)$  with  $N$  the player set and  $B$  a partition of the player set  $N$ .
- **Interpretation:** communication between players in a hypergraph can only take place between any subset of an element of the cooperation structure → *Coalition structure* (Aumann and Dréze (1974), Myerson (1980), Owen (1977)).

# Cooperative games with restricted communication

- A cooperative game describes a situation in which all players can freely communicate with each other.
- Drop this assumption and assume that communication between players is restricted to a set of communication possibilities between players.
- $L = \{ \{i,j\} \mid \{i,j\} \subseteq N, i \neq j \}$  is the set of *edges* (bilateral communication links)
- A communication graph  $(N,L)$  should be interpreted as a way to model restricted cooperation:
  - Players can cooperate with each other if they are connected (*directly, or indirectly* via a path)
  - Indirect communication between two players requires the cooperation of players on a connecting path.

## Communication situations (Myerson (1977))

- A *communication situation* is a triple  $(N, v, L)$ 
  - $(N, v)$  is a  $n$ -person TU-game (represents the economic possibilities of coalitions)
  - $(N, L)$  is a communication network (represents restricted communication possibilities)
- The *graph-restricted game*  $(N, v^L)$  is defined as

$$v^L(T) = \sum_{C \in T \setminus L} v(C)$$

For each  $S \in 2^N \setminus \{\emptyset\}$ .

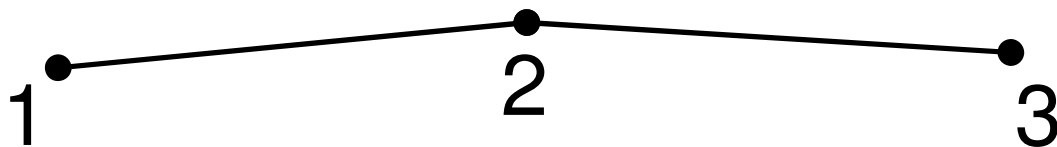
Recall that  $T \setminus L$  is the set of maximal connected components in the restriction of graph  $(N, L)$  to  $T$



## Example

A weighted majority game  $(\{1,2,3\}, v)$  with the winning quote fixed to  $2/3$  is considered. The votes of players 1, 2, and 3 are, respectively, 40%, 20%, and 40%. Then,  $v(1,3)=v(1,2,3)=1$  and  $v(S)=0$  for the remaining colitions.

The communication network is



Then,

$v^L(1,2,3)=1$ , and  $v^L(S)=0$  for the other coalitions.

# Solutions for communication situations

- Myerson (1977) was the first to study solutions for communication situations.
- A solution  $\Psi$  is a map defined for each communication situation  $(N, v, L)$  with value in  $\mathbb{R}^N$ .

## PROPERTY 9 Component Efficiency (CE)

For each communication situation  $(N, v, L)$  and all  $C \in NL$  it holds that

$$\sum_{i \in S} \Psi_i(N, v, L) = v(C).$$

- Property 9 is an “efficiency” condition that is assumed to hold only for those coalitions whose players are able to communicate effectively among them and *are not connected to other players*. (maximal connected components)

# Solutions for communication situations

**PROPERTY 10 Fairness (F)** For each communication situation  $(N, v, L)$  and all  $\{i, j\} \in L$  it holds that

$$\Psi_i(N, v, L) - \Psi_i(N, v, L \setminus \{\{i, j\}\}) = \Psi_j(N, v, L) - \Psi_j(N, v, L \setminus \{\{i, j\}\}).$$

- Property 10 says that two players should gain or lose in exactly the same way, when a direct link between them is established (or deleted).

# Myerson value

## Theorem 4 (Myerson (1977))

There exists a unique solution  $\mu(N, v, L)$  which satisfies CE and F on the class of communication situations. Moreover,

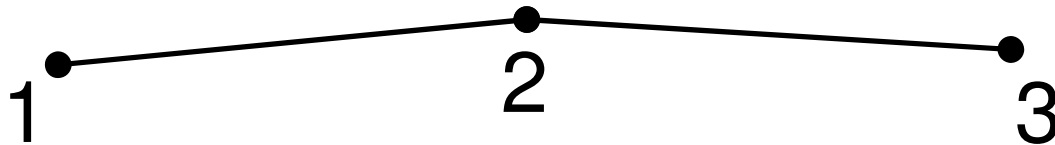
$$\mu(N, v, L) = \phi(v^L)$$

where  $\phi(v^L)$  is the shapley value of the graph-restricted game  $v^L$ .

## Example

A weighted majority game  $(\{1,2,3\}, v)$  with the winning quote fixed to  $2/3$  is considered. The votes of players 1, 2, and 3 are, respectively, 40%, 20%, and 40%. Then,  $v(1,3)=v(1,2,3)=1$  and  $v(S)=0$  for the remaining colitions.

The communication network is



Then,

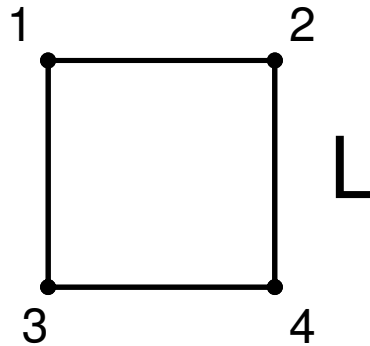
$v^L(1,2,3)=1$ , and  $v^L(S)=0$  for the other coalitions.

We have that

$\phi(v)=(1/2,0,1/2)$  and  $\mu(N,v,L)=\phi(v^L)=(1/3,1/3,1/3)$ .

Example  $(N, v, L)$  communication situation such that  $L$  is the following network and

$$V = u_{\{2,4\}}$$



Note that, for instance,  $v^L(2,4) = v(2) + v(4) = 0$ .

Easy to note that that  $v^L = u_{\{1,2,4\}} + u_{\{2,3,4\}} - u_N$

Therefore,

$$\begin{aligned} \mu(N, v, L) &= \phi(v^L) = (1/3, 2/3, 1/3, 2/3) - (1/4, 1/4, 1/4, 1/4) \\ &= (1/12, 5/12, 1/12, 5/12) \end{aligned}$$

# Application to social networks

- An application of the Shapley value, which uses both the classical one and the one by Myerson (1977), has been proposed by Gómez et al. (2003), to provide a definition of *centrality* in social networks.
- The proposal is to look at the difference between:
  - $\mu(N, v, L)$ : the Myerson value, that takes into account the communication structure;
  - $\phi(v)$ : the Shapley value, that disregards completely the information provided by the graph  $L$ .

# Games and Centrality

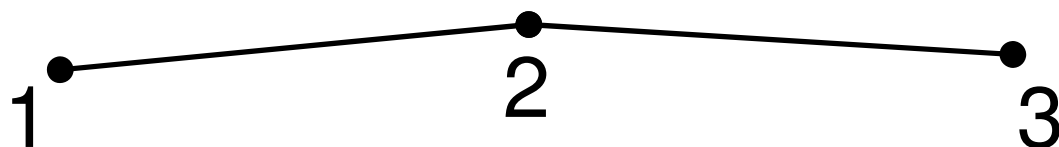
- The centrality of a node refers to the *variation* in power due to the social situation (represented by the graph),
- the power is measured using game theory
- More precisely, it is the Shapley value of a game that is used as a power index.
- Gómez et al. (2003) describe general properties of their centrality measure, and in particular, how the abstract structure of the graph influences it.



## Example

A weighted majority game  $(\{1,2,3\}, v)$  with the winning quote fixed to  $2/3$  is considered. The votes of players 1, 2, and 3 are, respectively, 40%, 20%, and 40%. Then,  $v(1,3)=v(1,2,3)=1$  and  $v(S)=0$  for the remaining colitions.

The communication network is



We have seen that

$\phi(v)=(1/2,0,1/2)$  and  $\mu(N,v,L)=\phi(v^L)=(1/3,1/3,1/3)$ .

So, the centrality value is  $1/3$  for player 2 and  $-1/6$  for 1 and 3.