One equivalence result for Logit QRE and Level-k and one intuitive contradiction[1]

David J Cooper
FSU

Enrique Fatas
UEA

Antonio J Morales
UMA

Shi Qi
FSU

April 2014

Very preliminary
Do not circulate without permission

Abstract

The logit QRE has comparative statics properties that are in some cases more intuitive than for the standard NE, and it explains experimental data that are consistent with intuition but are not predicted by the Nash equilibrium. In this paper we show that level-k model, reproduces the same comparative statics and offers predictions close to the logit QRE within the class of (symmetric) games with the local payoff property. We show that this equivalence is broken once asymmetric payoffs are introduced in the games and we offer experimental evidence in them.