

Accepted Manuscript

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PII: S0022-0531(17)30096-0
DOI: <http://dx.doi.org/10.1016/j.jet.2017.09.004>
Reference: YJETH 4693

To appear in: *Journal of Economic Theory*

Received date: 21 January 2016
Revised date: 11 September 2017
Accepted date: 13 September 2017

Please cite this article in press as: Amir, R., De Castro, L. Nash equilibrium in games with quasi-monotonic best-responses. *J. Econ. Theory* (2017), <http://dx.doi.org/10.1016/j.jet.2017.09.004>

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Nash Equilibrium in Games with Quasi-Monotonic Best-Responses*

Rabah Amir[†] and Luciano De Castro[‡]

This version: Sept. 4, 2017

Abstract

This paper proposes a new general class of strategic games and develops an associated new existence result for pure-strategy Nash equilibrium. For a two-player game with scalar and compact action sets, existence entails that one reaction curve be increasing and continuous and the other quasi-increasing (i.e, not have any downward jumps). The latter property amounts to strategic quasi-complementarities. The paper provides a number of ancillary results of independent interest, including sufficient conditions for a quasi-increasing argmax (or non-monotone comparative statics), and new sufficient conditions for uniqueness of fixed points. For maximal accessibility of the results, the main results are presented in a Euclidean setting. We argue that all these results have broad and elementary applicability by providing simple illustrations with commonly used models in economic dynamics and industrial organization.

JEL codes: C72, D43, L13.

Key words and phrases: Existence of Nash equilibrium, uniqueness of Nash equilibrium, quasi-monotone functions, non-monotone comparative statics, supermodularity, Tarski's Theorem.

*We gratefully acknowledge the wonderful hospitality at the Hausdorff Institute at the University of Bonn, where this work was completed. The authors are grateful to Jean-Francois Mertens for helpful conversations about the topic of this paper. The authors also thank four reviewers and the editor for very helpful comments that improved the exposition of the paper.

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