

## **THEORY OF MOVES: OVERVIEW AND EXAMPLES**

### **Abstract**

The theory of moves is a dynamic theory in which players are permitted to move and countermove in a game, based on nonmyopic calculations. New rules of play are proposed, and a new equilibrium concept is defined, that presume that (1) games have a history; (2) players make "two-sided" rationality calculations; (3) players may consider repetition of the identical game irrational; (4) power asymmetries are possible (in which case repetition may be rational in order to wear down an opponent or establish a reputation); and (5) information may be incomplete.

The calculation of "nonmyopic equilibria" is illustrated in one of the 57  $2 \times 2$  strict ordinal conflict games in which there is no mutually best outcome; these equilibria are given for the other 57 games. Order, moving, and threat power are briefly discussed and their effects noted in the 57 games. The theory is applied to the 1979-80 Iran hostage crisis, in which President Carter misperceived Ayatollah Khomeini's preferences and behaved differently from what classical game theory predicts as the Nash equilibrium.