

Rule Rationality

Eyal Winter

The Hebrew University of Jerusalem and the University of Leicester

Abstract

We study the strategic advantages of following rules of thumb that bundle different games together (called *rule rationality*) when this may be observed by one's opponent. We present a model in which the strategic environment determines which kind of rule rationality is adopted by the players. We apply the model to characterize the induced rules and outcomes in various interesting environments. Finally, we show the close relations between act rationality and "Stackelberg stability" (no player can earn from playing first).