

Then  $F_i$  is nonempty closed convex valued and upper-hemicontinuous. Define  $\Psi : X \rightarrow 2^X$  by  $\Psi(x) := \prod_i^n F_i(x)$ . Then  $\Psi$  is nonempty closed convex valued and upper-hemicontinuous. Therefore, by the Kakutani fixed point theorem, there exists  $x^* \in X$  such that  $x^* \in \Psi(x^*)$ . If for some  $i$ ,  $x^* \in V_i$ , it follows from the definition of  $F_i$  that  $x_i^* = f_i(x^*) \in \psi_i(x^*) \subset \text{co}P_i(x^*)$ , which is a contradiction to (3). Thus for every  $i$ ,  $x^* \notin V_i$  which implies that  $x_i^* \in A_i(x^*)$  and  $\psi_i(x^*) = \emptyset$ , i.e.,  $P_i(x^*) \cap A_i(x^*) = \emptyset$ . Hence  $x^*$  is an equilibrium of  $\Gamma$ .  $\square$

Next we use the above Theorem to prove the existence of Nash equilibrium for a game in a normal form as a Corollary.

**COROLLARY 1.4.1:** Let  $\mathcal{G} = \{(X_i, u_i) : i = 1, 2, \dots, n\}$  be a **game in normal form** satisfying for all  $i$  the following assumptions:

- i)  $X_i$  is compact, convex and non empty subset of  $R^l$ ,
- ii)  $u_i : \prod_{j=1}^n X_j \rightarrow R$  is quasi - concave and continuous.

Then  $\mathcal{G}$  has a Nash equilibrium, i.e., there exists an  $x^* \in X = \prod_{i=1}^n X_i$  such that for all  $i$ ,

$$u_i(x_1^*, \dots, x_n^*) \geq u_i(x_1^*, \dots, y_i, \dots, x_n^*), \forall y_i \in X_i$$

PROOF:  $\forall i$  set  $A_i(x) = X_i$ . Also,  $\forall i$  define the correspondence  $P_i : X \rightarrow 2^{X_i}$  by,

$$P_i(x_1, \dots, x_n) = \{y_i \in X_i : u_i(x_1, \dots, y_i, \dots, x_n) > u_i(x_1, \dots, x_n)\}$$

Hence, we have an abstract economy  $\Gamma = \{(X_i, P_i, A_i) : i = 1, 2, \dots, n\}$ . We can easily verify the following: a)  $P_i$  has an open graph, b)  $P_i$  is convex - valued, c)  $x_i \notin P_i(x_1, \dots, x_n), \forall x \in X$  and d)  $A_i : X \rightarrow 2^{X_i}$  is non empty, closed - valued, convex - valued and continuous. Thus,  $\Gamma$  has an equilibrium, i.e., there exists an  $x^* \in X$  such that,

- i)  $x_i^* \in A_i(x^*), \forall i$ ,
- ii)  $A_i(x^*) \cap P_i(x^*) = \emptyset, \forall i$ .

From i) and ii) we can deduce that for all  $i$ ,  $x_i^* \in X_i$  and  $P_i(x^*) = \emptyset$ . That is,

$$\forall y_i \in X_i, u_i(x_1^*, \dots, y_i, \dots, x_n^*) \leq u_i(x_1^*, \dots, x_n^*)$$

$\square$

Now we provide an alternative proof of the existence of a Nash equilibrium in a normal form game (Corollary 1.4.1), by using the Berge Maximum Theorem and the Kakutani Fixed point Theorem.

PROOF: Let  $X = \prod_{i=1}^n X_i$  and  $\tilde{X}_i = \prod_{i \neq j} X_j$ . For all  $i$  define  $\varphi_i : \tilde{X}_i \rightarrow 2^{X_i}$  by,

$$\varphi_i(\tilde{x}_i) = \{y_i \in X_i : u_i(y_i, \tilde{x}_i) = \max_{z_i \in X_i} u_i(z_i, \tilde{x}_i)\}$$