

HKUST ECON Seminar

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Structural Forward Induction

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Abstract

Structural rationality (Siniscalchi, ECMA 2022) requires players to account for the possibility of future surprises when choosing their current actions. This requirement strengthens the notion of (weak) sequential rationality introduced by Reny (ECMA, 1992). We investigate the implications of structural rationality for both equilibrium and non-equilibrium solution concepts. In particular, we explore the interplay between forward-induction reasoning and structural rationality, provide computationally tractable characterizations of structural rationality under strong belief restrictions (Battigalli and Siniscalchi, JET 2002), and draw a connection with quasi-perfection (Van Damme, IJGT 1984).