Contents

List of Contributors	page ix
Introduction	1
PART ONE NETWORK FORMATION, COMMUNICAT AND LEARNING	ΊΟΝ,
1 A Survey of Network Formation Models: Stability and Efficien Matthew O. Jackson	ncy 11
1.1. Introduction	11
1.2. Defining Network Games	13
1.3. Some Examples	19
1.4. Modeling Network Formation	25
1.5. The Relationship between Stability and Efficiency	36
1.6. The Myerson Value and Alternative Allocation Rules	45
1.7. Concluding Discussion	49
2 Models of Network Formation in Cooperative Games Anne van den Nouweland	58
2.1. Introduction	58
2.2. Definitions	60
2.3. Network-Formation Game in Extensive Form	63
2.4. Network-Formation Game in Strategic Form	68
2.5. Comparison of the Network-Formation Models in Exten	isive
and Strategic Forms	73
2.6. Network Formation with Costs for Establishing Links	73
2.7. Simultaneous Bargaining over Network Formation and	
Payoff Division	79
2.8. Related Literature	85
3 Farsighted Stability in Network Formation Frank H. Page, Jr., and Samir Kamat	89
3.1. Introduction	89

vi Contents

	3.2. Directed Networks3.3. Supernetworks	93 95
	3.4. Notions of Farsighted Stability in Network Formation	101
	3.5. Computational Examples: Strategic Information Sharing	109
4	Learning in Networks Sanjeev Goyal	122
	4.1. Introduction	122
	4.2. Networks	125
	4.3. Nonstrategic Interaction	127
	4.4. Strategic Interaction	137
	4.5. Evolving Networks	149
	4.6. Optimal Links and Actions in Games	156
	4.7. Concluding Remarks	162
	PART TWO ON EQUILIBRIUM FORMATION OF GROUPS: A THEORETICAL ASSESSMENT	
5	Group Formation: The Interaction of Increasing Returns and	
	Preferences Diversity Gabrielle Demange	171
	5.1. Introduction	171
	5.2. Competition under Increasing Returns	173
	5.3. On Competition across Groups	186
	5.4. Public Decision Rules and Mobility	198
	5.5. Conclusion	205
6	Games and Economies with Near Exhaustion of Gains to Scale Alexander Kovalenkov and Myrna Wooders	209
	6.1. Games with Many Players as Models of Large Economies	209
	6.2. Games with Side Payments	212
	6.3. Parameterized Collections of Games	215
	6.4. Pregames	216
	6.5. Nonemptiness of Approximate Cores of Games in Parameterized Collections	220
	6.6. Examples of Coalition Production Economies with Small	220
	or Large Optimal Firms	223
	6.7. Equal Treatment of Similar Individuals	224
	6.8. Games and Markets	226
	6.9. Examples of Local Public Goods Economies	230
	6.10. Attribute Games and Exchange Economies	233
	6.11. Some Relationships to the Literature	235
	6.12. Conclusions	239
7	Coalitions and Clubs: Tiebout Equilibrium in Large Economies John Conley and Stefani Smith	246
	7.1. Introduction	246
	7.2. Agents and Crowding	248

Cantanta	• •
Contents	V11
	¥ 11

	7.3. A Local Public Goods Economy	254
	7.4. Optimality and Decentralization	256
	7.5. Existence	258
	7.6. Noncooperative Solutions	259
	7.7. Other Results and Future Research	260
8	Secession-Proof Cost Allocations and Stable Group Structures in	
Ů	Models of Horizontal Differentiation	266
	Michel Le Breton and Shlomo Weber	200
	8.1. Introduction	266
	8.2. The Model	268
	8.3. Cooperative Framework	269
	8.4. Unrestricted Cost-Allocation Correspondence	271
	8.5. Restricted Cost-Allocation Correspondence	276
	DARK TURES OR OLDE CLUBS ALLIANCES IN DOLLTICAL	
	PART THREE GROUPS, CLUBS, ALLIANCES IN POLITICAL AND ECONOMIC ENVIRONMENTS	
	AND ECONOMIC ENVIRONMENTS	
9	Political Parties and Coalition Formation	289
	Amrita Dhillon	
	9.1. Introduction	289
	9.2. Preelectoral Coalitions	290
	9.3. Postelection Coalitions	298
	9.4. Conclusions	302
10	Power in the Design of Constitutional Rules	312
	Mika Widgrén	
	10.1. Introduction	312
	10.2. Measuring Power	313
	10.3. Applying Power Indices to the EU	319
	10.4. Power in EU Procedures	322
	10.5. Concluding Remarks	331
11	Group and Network Formation in Industrial Organization: A Survey	335
1 1	Francis Bloch	333
	11.1. Introduction	335
	11.2. Group and Network Stability	336
	11.3. Cartels and Collusive Networks	338
	11.4. Alliances and Networks of Collaboration	345
	11.5. Trade Networks	348
12	Lasting in Design for Managing Global Commons: Lassons from	
12	Institution Design for Managing Global Commons: Lessons from	254
	Coalition Theory	354
	Carlo Carraro	~ - :
	12.1. Introduction	354
	12.2. Accession Rules and Equilibrium Environmental Coalitions 12.3. Endogenous Minimum Participation Rules in International	357
	-	360
	Environmental Agreements	200

viii Contents

	12.4. Endogenous Issue Linkage in International Negotiations12.5. Regional versus Global Environmental Treaties12.6. Conclusions	366 370 377
13	Inequality and Growth Clubs Fernando Jaramillo, Hubert Kempf, and Fabien Moizeau	381
	 13.1. Introduction 13.2. Stratification and Growth: Evidence 13.3. Stratification and Growth: Theoretical Approaches 13.4. Inequality, Stratification, and Growth 13.5. Club Formation Dynamics and Growth 13.6. Conclusion 	381 384 388 398 412 418
14	Informal Insurance, Enforcement Constraints, and Group Formation Garance Genicot and Debraj Ray 14.1. Introduction 14.2. Group Formation under Equal Sharing 14.3. Stationary Transfers 14.4. General Results: Asymmetric Treatment and History Dependence	430 430 433 435 440
15	14.5. Some Final Remarks Spontaneous Market Emergence and Social Networks Marcel Fafchamps 15.1. Introduction	443 447 447 449
T	15.2. A Model of Relational Contracting15.3. Stigmatization and Collective Punishment15.4. Networks and Markets15.5. Conclusion	460 463 466 471
Ina	lex	7/1