(Sophisticated) Stable Sets and Cores in Public Good Economies

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November 19, 2011

Abstract

In a public good economy, the (von Neumann-Morgenstern) stable set may differ from the core in the allocation space, though the stable set coincides with the core in the payoff space. We investigate the sophisticated stable set of the public good economy that is a stable set defined by the indirect dominance relation of Harsanyi (1974, *Management Science* 20, 1472-1495). We show that the sophisticated stable set coincides with the core in the allocation space. We also show that an additional condition is required for the equivalence of the sophisticated stable set in the allocation space and the stable set in the payoff space, which is also the sophisticated stable set, since the cores in the allocation space and the payoff space may slightly differ from each other.

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