Stable sets and bargaining games

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Abstract

The stable set of a cooperative game is a set of imputations that satisfies the internal- and external stability properties. Harsanyi (1974) criticized this concept because it neglects the effect of indirect dominance. He introduced the class of absolutely stable games in which indirect dominance is irrelevant. He showed that in this class we can get stable sets as the outcomes of an equilibrium strategy profile in a bargaining game. In the class of assignment games (which is not the subset of absolutely stable games) we got the same results: we define a bargaining game in which the outcomes of the equilibrium strategy profiles are stable sets and we can get every stable set as the outcomes of an equilibrium strategy.