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**ON THE NON-EMPTINESS OF THE
MAS-COLELL BARGAINING SET**

by

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On the Non-Emptiness of the Mas-Colell Bargaining Set

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Abstract

We introduce an extension of the Mas-Colell bargaining set and construct, by an elaboration on a voting paradox, a superadditive four-person nontransferable utility game whose extended bargaining set is empty. It is shown that this extension constitutes an upper hemi-continuous correspondence. We conclude that the Mas-Colell bargaining set of a non-levelled superadditive NTU game may be empty.

Keywords: NTU games, Mas-Colell bargaining set

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1 Introduction

Mas-Colell (1989) has introduced a bargaining set which is defined also for finite games. In this paper we address the question of non-emptiness of the Mas-Colell bargaining set for superadditive NTU games. The problem is mentioned in Section 6 of Mas-Colell (1989) and in Holzman (2000). We construct a four-person majority voting game - majority voting games are automatically superadditive - with ten alternatives whose Mas-Colell bargaining set is empty. In view of Vohra (1991) we include individual rationality in the definition of the bargaining set. However, the aforementioned result holds also in Mas-Colell's original model, i.e., without individual rationality.

Moreover, this voting game enables us to show the existence of a **non-levelled** superadditive NTU game whose bargaining set is empty, thereby solving an open problem raised by Vohra (1991). Indeed, we introduce an extension of the bargaining set which is upper hemicontinuous and specifies the empty set when applied to our voting game.

The paper is organized as follows. Section 2 recalls the relevant definitions and introduces an extension of the Mas-Colell bargaining set, denoted by \mathcal{MB}^* . Section 3 presents the construction of the four-person voting game and the proof of emptiness of \mathcal{MB}^* when applied to this game. In Section 4 we first prove that \mathcal{MB}^* is an upper hemicontinuous correspondence. Moreover, we show that in any neighborhood of a superadditive NTU game there exists a non-levelled superadditive NTU game. Finally, we conclude that there exists a non-levelled superadditive four-person game whose (extended) bargaining set is empty.

2 Preliminaries

Let $N = \{1, \dots, n\}$, $n \in \mathbb{N}$, be a set of players. For $S \subseteq N$ we denote by \mathbb{R}^S the set of all real functions on S . So \mathbb{R}^S is an $|S|$ -dimensional Euclidean space. (Here and in the sequel, if D is a finite set, then $|D|$ denotes the cardinality of D .) If $x \in \mathbb{R}^S$ and $T \subseteq S$, then x^T denotes the restriction of x to T . If $x, y \in \mathbb{R}^S$, then we write $x \geq y$ if $x^i \geq y^i$ for all $i \in S$. Moreover, we write $x > y$ if $x \geq y$ and $x \neq y$ and we write $x \gg y$ if $x^i > y^i$ for all $i \in S$. Denote $\mathbb{R}_+^S = \{x \in \mathbb{R}^S \mid x \geq 0\}$. A set $C \subseteq \mathbb{R}^S$ is comprehensive if $x \in C$, $y \in \mathbb{R}^S$, and $y \leq x$ imply that $y \in C$. We are now ready to recall the definition of an NTU game.

Definition 2.1 *An NTU coalitional game (a game) is a pair (N, V) where N is a set of players and V is a function which associates with every $S \subseteq N$, $S \neq \emptyset$, a set $V(S) \subseteq \mathbb{R}^S$, $V(S) \neq \emptyset$, such that*

- (1) $V(S)$ is closed and comprehensive;

(2) $V(S) \cap (x + \mathbb{R}_+^S)$ is bounded for every $x \in \mathbb{R}^S$.

As we are working in the model of Vohra (1991), we shall restrict our attention to *weakly superadditive* games.

Definition 2.2 An NTU game (N, V) is **weakly superadditive** if for every $i \in N$ and every $S \subseteq N \setminus \{i\}$ satisfying $S \neq \emptyset$, $V(S) \times V(\{i\}) \subseteq V(S \cup \{i\})$.

In particular we shall be interested in superadditive games. A game (N, V) is *superadditive* if for every pair of disjoint coalitions S, T (a coalition is a nonempty subset of N), $V(S) \times V(T) \subseteq V(S \cup T)$.

We shall restrict our attention to *zero-normalized* games, that is, to games (N, V) that satisfy $V(\{i\}) = -\mathbb{R}_+^{\{i\}} (= \{x \in \mathbb{R}^i \mid x \leq 0\})$ for all $i \in N$.

Let (N, V) be a zero-normalized weakly superadditive game and $x \in \mathbb{R}^N$. We say that x is

- *individually rational* if $x \geq 0$;
- *Pareto optimal* (with respect to $V(N)$) if $y \in V(N)$ and $y \geq x$ imply $x = y$;
- *weakly Pareto optimal* (with respect to $V(N)$) if for every $y \in V(N)$ there exists $i \in N$ such that $x^i \geq y^i$;
- a *preimputation* if $x \in V(N)$ and x is weakly Pareto optimal;
- an *imputation* if x is an individually rational preimputation.

Note that the set of imputations of a weakly superadditive game is nonempty. Mas-Colell (1989) has introduced the following bargaining set. Let (N, V) be an NTU game and let x be an imputation. A pair (P, y) is an *objection* at x if $\emptyset \neq P \subseteq N$, $y \in V(P)$, y is Pareto optimal with respect to $V(P)$, and $y > x^P$. The pair (Q, z) is a *counter objection* to the objection (P, y) if $Q \subseteq N$, $Q \neq \emptyset, P$, if $z \in V(Q)$, and if $z > (y^{P \cap Q}, x^{Q \setminus P})$. An objection is *justified* if it cannot be countered. An imputation x of (N, V) is in the *Mas-Colell bargaining set* $\mathcal{MB}(N, V)$ if there are no justified objections at x .

In view of Vohra (1991) we insist that the members of $\mathcal{MB}(N, V)$ are imputations. Hence we may restrict our attention to the individually rational subsets of the sets $V(S)$. Indeed, let (N, V) be a zero-normalized weakly superadditive NTU game. For $\emptyset \neq S \subseteq N$ denote $V^+(S) = V(S) \cap \mathbb{R}_+^S$. Then V^+ is nonempty-valued, compact-valued, and (restricted) comprehensive, that is, for every coalition S , if $x \in V^+(S)$ and $y \in \mathbb{R}_+^S$, $y \leq x$, then $y \in V^+(S)$. Hence, we shall call (N, V^+) an NTU game as well.

Remark 2.3 *If (N, V) is a weakly superadditive zero-normalized NTU game, then $\mathcal{MB}(N, V) = \mathcal{MB}(N, V^+)$.*

Let (N, V) be a weakly superadditive zero-normalized NTU game. We say that (N, V) is *non-levelled* if for each coalition S every weakly Pareto optimal element $x \in V^+(S)$ is Pareto optimal with respect to $V^+(S)$. In this case we shall also say that V^+ is non-levelled. (Note that in Vohra (1991) the foregoing property is called *strong comprehensiveness*.)

In Section 3 we shall construct an example of a superadditive game whose Mas-Colell bargaining set is empty. However, this NTU game is not non-levelled. In order to show that the Mas-Colell bargaining set may be empty even for a non-levelled superadditive game, it is useful to define the following extension of \mathcal{MB} . Let (N, V) be an NTU game and let x be an imputation. An objection (P, y) at x is a *strong* objection if $y \gg x^P$. A pair (Q, z) is a *weak counter objection* to the objection (P, y) if $\emptyset, P \neq Q \subseteq N$, $z \in V(Q)$, and $z \geq (y^{P \cap Q}, x^{Q \setminus P})$. A strong objection is *strongly justified* if it has no weak counter objection. An imputation x of (N, V) is in the *extended bargaining set* $\mathcal{MB}^*(N, V)$ if there are no strongly justified strong objections at x .

Remark 2.4 *Let (N, V) be an NTU game. Then*

$$\mathcal{MB}(N, V) \subseteq \mathcal{MB}^*(N, V). \quad (2.1)$$

Further, if (N, V) is weakly superadditive and zero-normalized, then $\mathcal{MB}^(N, V) = \mathcal{MB}^*(N, V^+)$.*

3 The Example

Let $N = \{1, 2, 3, 4\}$ be the set of players and let $A = \{a_1, a_2, a_3, a_4, a_1^*, a_2^*, a_3^*, a_4^*, b, c\}$ be a set of ten alternatives. In the corresponding strategic game the players simultaneously announce an alternative. If there is a majority (of three or more players) for an alternative, then that alternative is chosen. Otherwise, everybody gets 0. Let the linear preferences on A of the players, R^i , $i = 1, \dots, 4$, be specified by Table 1. Thus, for every $i \in N$, R^i , is a complete, transitive, and antisymmetric binary relation on A . These preferences will be used to define our NTU game.

If $\alpha, \beta \in A$, $\alpha \neq \beta$, then α *dominates* β , written $\alpha \succ \beta$, if $|\{i \in N \mid \alpha R^i \beta\}| \geq 3$. The entire domination relation \succ is depicted in Table 2.

For each $i \in N$ let $u^i : A \rightarrow \mathbb{R}$ be a utility function that represents R^i , that is, $u^i(\alpha) \geq u^i(\beta)$ if and only if $\alpha R^i \beta$, for all $\alpha, \beta \in A$. Furthermore we assume that

$$\min_{\alpha \in A} u^i(\alpha) > 0 \text{ for all } i \in N. \quad (3.1)$$

Table 1: Preference Profile

R^1	R^2	R^3	R^4
a_1	a_4	a_3	a_2
a_2	a_1	a_4	a_3
a_2^*	a_1^*	a_4^*	a_3^*
a_1^*	c	a_3^*	a_2^*
c	a_4^*	c	b
b	b	b	a_4^*
a_3^*	a_2^*	a_1^*	a_4
a_3	a_2	a_1	c
a_4^*	a_3^*	a_2^*	a_1^*
a_4	a_3	a_2	a_1

Table 2: Domination Relation

$a_1 \succ a_2$	$a_2 \succ a_3$	$a_3 \succ a_4$	$a_4 \succ a_1$
$a_1 \succ a_2^*$	$a_2 \succ a_3^*$	$a_3 \succ a_4^*$	$a_4 \succ a_1^*$
$a_4 \succ c$	$c \succ b$		

We are now able to define our NTU game (N, V) . For each $S \subseteq N$, $S \neq \emptyset$, let

$$V(S) = \{x \in \mathbb{R}^S \mid x \leq 0\}, \text{ if } |S| = 1, 2, \quad (3.2)$$

$$V(S) = \{x \in \mathbb{R}^S \mid \text{there exists } \alpha \in A \text{ such that } x \leq u^S(\alpha)\}, \text{ if } |S| \geq 3, \quad (3.3)$$

where $u^S(\alpha) = (u^i(\alpha))_{i \in S}$. As the reader may easily verify, (N, V) is a zero-normalized and superadditive NTU game. Moreover, every imputation x of (N, V) satisfies $x \geq 0$ and $x^i \geq u^i(b)$ for some $i \in N$ (among other inequalities).

Further, let $S_1 = \{1, 2, 3\}$, $S_2 = \{1, 2, 4\}$, $S_3 = \{1, 3, 4\}$, and $S_4 = \{2, 3, 4\}$. We shall now prove that $\mathcal{MB}^*(N, V) = \emptyset$. Assume, on the contrary, that there exists an imputation x in

$\mathcal{MB}^*(N, V)$. We distinguish the following cases.

$$x \leq u^N(a_1). \quad (3.4)$$

As $a_4 \succ a_1$, $(S_4, u^{S_4}(a_4))$ is a strong objection at x . If $\alpha \in A \setminus \{a_3, a_4\}$, then

$$|S_4 \cap \{i \in N \mid a_4 R^i \alpha\}| \geq 2.$$

Thus the foregoing objection can be weakly countered only by (S_3, y) for some $y \leq u^{S_3}(a_3)$, or by (T, z) for some $|T| \geq 3$ such that $1 \in T$ and some $z \leq u^T(a_4)$, or by $(\{1\}, 0)$ (if $x^1 = 0$). Hence $x^1 \leq u^1(a_3)$. We conclude that $(S_3, u^{S_3}(a_3^*))$ is a strong objection at x . Let $\alpha \in A$. If $|S_3 \cap \{i \in N \mid a_3^* R^i \alpha\}| < 2$, then $\alpha \in \{a_2, a_3^*, a_3\}$. Thus, if (P, y) is a weak counter objection to $(S_3, u^{S_3}(a_3^*))$, then $2 \in P$ and $y^2 \leq u^2(a_2)$. We conclude that $x^2 \leq u^2(a_2)$. Thus, $x \ll u^N(b)$ and the desired contradiction has been obtained.

Similarly one can prove that there is no $x \in \mathcal{MB}^*(N, V)$ such that $x \leq u^N(\alpha)$ for $\alpha \in \{a_2, a_3, a_4\}$.

The next case is the following case.

$$x \leq u^N(a_1^*). \quad (3.5)$$

As $(S_4, u^{S_4}(a_4))$ is a strong objection at x , we may proceed as in (3.4). We conclude that there is no $x \in \mathcal{MB}^*(N, V)$ such that $x \leq u^N(\alpha)$ for $\alpha \in \{a_1^*, a_2^*, a_3^*, a_4^*\}$.

We shall now consider the third case.

$$x \leq u^N(b). \quad (3.6)$$

In this case $(S_1, u^{S_1}(c))$ is a strong objection at x . If (P, y) is a weak counter objection to the foregoing strong objection, then (P, y) satisfies at least one of the following properties:

$$\begin{aligned} y &\leq u^P(c) && \text{and} && 4 \in P; \\ y &\leq u^P(a_1) && \text{and} && P = S_1; \\ y &\leq u^P(a_1^*) && \text{and} && P = S_1; \\ y &\leq u^P(a_4) && \text{and} && P = S_4. \end{aligned}$$

Therefore $x^4 \leq u^4(a_4)$. We conclude that $(S_4, u^{S_4}(a_4^*))$ is a strong objection at x . Then

$$\{\alpha \in A \mid |S_4 \cap \{i \in N \mid a_4^* R^i \alpha\}| < 2\} = \{a_3, a_4, a_4^*\}.$$

Hence $x^1 \leq u^1(a_3)$. Thus, $(S_3, u^{S_3}(a_3^*))$ is a strong objection at x . The observation that

$$\{\alpha \in A \mid |S_3 \cap \{i \in N \mid a_3^* R^i \alpha\}| < 2\} = \{a_2, a_3, a_3^*\}$$

shows that $x^2 \leq u^2(a_2)$ and, thus, $(S_2, u^{S_2}(a_2^*))$ is a strong objection at x . We compute

$$\{\alpha \in A \mid |S_2 \cap \{i \in N \mid a_2^* R^i \alpha\}| < 2\} = \{a_1, a_2, a_2^*\}.$$

Thus, if (P, y) is a weak counter objection to $(S_2, u^{S_2}(a_2^*))$, then $3 \in P$ and $y^3 \leq u^3(a_1)$. We conclude that $x^3 \leq u^3(a_1)$. Therefore, again, $x \ll u^N(b)$.

Finally, we have to consider the following case.

$$x \leq u^N(c). \quad (3.7)$$

Then $(S_4, u^{S_4}(a_4))$ is a strong objection at x . If (P, y) is a weak counter objection to $(S_4, u^{S_4}(a_4))$, then (1) $P = S_3$ and $y \leq u^P(a_3)$ or (2) $1 \in P$ and $y \leq u^P(a_4)$. Hence, $x^1 \leq u^1(a_3)$ and $(S_3, u^{S_3}(a_3^*))$ is a strong objection at x . We may now continue as in (3.6) and deduce that $x \ll u^N(b)$.

Hence, we have shown that $\mathcal{MB}^*(N, V) = \emptyset$.

4 Non-Levelled Games

Let N be a finite nonempty set and denote

$$\Gamma^+ = \{V^+ \mid (N, V) \text{ is a zero-normalized weakly superadditive NTU game}\}$$

(for the definition of V^+ see Section 2). Let $V_1^+, V_2^+ \in \Gamma^+$. The *distance* between V_1^+ and V_2^+ is

$$\delta(V_1^+, V_2^+) = \max_{\emptyset \neq S \subseteq N} d_S(V_1^+(S), V_2^+(S)),$$

where $d_S(\cdot, \cdot)$ is the Hausdorff distance between nonempty compact subsets of \mathbb{R}^S .

Lemma 4.1 *\mathcal{MB}^* is an upper hemicontinuous correspondence on Γ^+ .*

Proof: It is sufficient to prove that \mathcal{MB}^* has a closed graph. Thus let $V^+, V_k^+ \in \Gamma^+$, $k \in \mathbb{N}$, such that $\lim_{k \rightarrow \infty} \delta(V^+, V_k^+) = 0$, and let $x_k \in \mathcal{MB}^*(V_k^+)$, $k \in \mathbb{N}$, such that $\lim_{k \rightarrow \infty} x_k = x$. It remains to show that $x \in \mathcal{MB}^*(V^+)$. Note that x is a weakly Pareto optimal element of $V^+(N)$. Assume, on the contrary, that $x \notin \mathcal{MB}^*(V^+)$. Then there exists a strongly justified strong objection (P, y) at x . Thus, y is a Pareto optimal element of $V^+(P)$ and for every $S \subseteq N$ such that $S \neq \emptyset, P$ and any $z \in V^+(S)$,

$$f_S(x, y, z, V^+) = \min \left\{ \min_{i \in S \cap P} (z^i - y^i), \min_{i \in S \setminus P} (z^i - x^i) \right\} < 0.$$

The mapping g_S defined by $g_S(x, y, V^+) = \max_{z \in V^+(S)} f_S(x, y, z, V^+)$ is a continuous function of x, y , and V^+ . Choose, for $k \in \mathbb{N}$, a Pareto optimal member y_k of V_k^+ such that $\lim_{k \rightarrow \infty} y_k = y$. By continuity of g_S there exists a sufficiently large $k_0 \in \mathbb{N}$ such that for every $k > k_0$, $g_S(x_k, y_k, V_k^+) < 0$ for all $S \subseteq N$, $S \neq \emptyset, P$, and $y_k^i > x_k^i$ for all $i \in P$. Thus, (P, y_k) is a strongly justified strong objection at x_k for $k > k_0$. As $x_k \in \mathcal{MB}^*(V_k^+)$, the desired contradiction has been obtained. **q.e.d.**

Let $V^+ \in \Gamma^+$, let $\epsilon > 0$, let $K = \max_{\emptyset \neq S \subseteq N} \max_{x \in V^+(S)} \max_{i \in S} x^i$. For every $\emptyset \neq S \subseteq N$ define $h_S^\epsilon : \mathbb{R}_+^S \rightarrow \mathbb{R}$ by

$$h_S^\epsilon(x) = 1 + \frac{\epsilon}{2 + \sum_{i \in S} x^i + K|N \setminus S|}. \quad (4.1)$$

Using the foregoing equation define

$$V_\epsilon^+(S) = \{h_S^\epsilon(x)x \mid x \in V^+(S)\}. \quad (4.2)$$

We shall say that V^+ is *p-non-levelled* if, for each coalition S , any weakly Pareto optimal element $x \gg 0$ with respect to $V^+(S)$ is Pareto optimal. Hence a non-levelled game is p-non-levelled.

Lemma 4.2 *Let $V^+ \in \Gamma^+$ be superadditive and let $\epsilon > 0$. Then V_ϵ^+ is a superadditive p-non-levelled game such that $\delta(V_\epsilon^+, V^+) < \epsilon$.*

Proof: Let $S \subseteq N$, $S \neq \emptyset$. By Wooders (1983, Theorem 4), $d_S(V^+(S), V_\epsilon^+(S)) < \epsilon$, $V_\epsilon^+(S)$ is restricted comprehensive, and V_ϵ^+ is p-non-levelled. In order to show that V_ϵ^+ is superadditive, let $S, T \subseteq N$, $S, T \neq \emptyset$, and $S \cap T = \emptyset$. If $x_\epsilon \in V_\epsilon^+(S)$ and $y_\epsilon \in V_\epsilon^+(T)$, then let $x \in V^+(S)$ and $y \in V^+(T)$ be defined by $h_S^\epsilon(x)x = x_\epsilon$ and $h_T^\epsilon(y)y = y_\epsilon$. By superadditivity of V^+ , $(x, y) \in V^+(S \cup T)$. Moreover,

$$h_{S \cup T}^\epsilon(x, y) \geq \max\{h_S^\epsilon(x), h_T^\epsilon(y)\}.$$

Thus, $(x_\epsilon, y_\epsilon) \leq h_{S \cup T}^\epsilon(x, y)(x, y)$. By restricted comprehensiveness, V_ϵ^+ is superadditive. **q.e.d.**

We are now ready to prove the main result of this paper.

Theorem 4.3 *There exists a superadditive and non-levelled four-person game U^+ such that $\mathcal{MB}(U^+) = \emptyset$.*

Proof: Let V be the game of the example defined in Section 3. As \mathcal{MB}^* is upper hemicontinuous and $\mathcal{MB}^*(V^+) = \emptyset$, there exists $\epsilon > 0$ such that $\mathcal{MB}^*(W^+) = \emptyset$ for any $W^+ \in \Gamma^+$ such that $\delta(V^+, W^+) < \epsilon$. By Lemma 4.2, $V_\epsilon^+ \in \Gamma^+$ is a superadditive p-non-levelled game and $\delta(V^+, V_\epsilon^+) < \epsilon$. By (3.1), V_ϵ^+ is non-levelled. Remark 2.4 completes the proof. **q.e.d.**

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