

Abstract

This paper provides a strategic approach to the model of partition function form games that is used to analyze coalitional externalities. Two solution concepts are implemented: the Shapley value defined by Pham Do and Norde (2007) and the consensus value by Ju (2007). The building block of the approach is the bidding mechanism introduced in Pérez-Castrillo and Wettstein (2001) and generalized in Ju and Wettstein (2006). Hence, it presents a consistent non-cooperative benchmark to study and compare cooperative solution concepts in various situations.

JEL classification codes: C71; C72; D62.

Keywords: externality; implementation; bidding mechanism; Shapley value; consensus value; partition function form game.