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 $MB^*$. Section 3 presents the construction of the four-person voting game and the proof of emptiness of $MB^*$ when applied to this game. In Section 4 we first prove that $MB^*$ 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 $N = \{1, \ldots, n\}$, $n \in \mathbb{N}$, 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. \[ V(S) \]
(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 \( V(\{i\}) = -\mathbb{R}_+^{\{i\}}(= \{x \in \mathbb{R}^1 \mid x \leq 0\}) \) 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 \(MB(N, V) = MB(N, V^+)\).

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 \(MB\). 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 \(\emptyset, P \neq Q \subseteq N, z \in V(Q), z \geq (y^{P \cap Q}, x^{Q \setminus P})\). 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 \(MB^*(N, V)\) if there are no strongly justified strong objections at \(x\).

Remark 2.4 Let \((N, V)\) be an NTU game. Then
\[
MB(N, V) \subseteq MB^*(N, V).
\] (2.1)

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

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, \(R_i, i = 1, \ldots, 4\), 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 \(\alpha\) dominates \(\beta\), written \(\alpha \triangleright \beta\), if \(|\{i \in N \mid \alpha R^i \beta\}| \geq 3\). The entire domination relation \(\triangleright\) is depicted in Table 2.

For each \(i \in N\) let \(w^i : A \rightarrow \mathbb{R}\) be a utility function that represents \(R^i\), that is, \(w^i(\alpha) \geq w^i(\beta)\) if and only if \(\alpha R^i \beta\), for all \(\alpha, \beta \in A\). Furthermore we assume that
\[
\min_{\alpha \in A} w^i(\alpha) > 0 \text{ for all } i \in N. \tag{3.1}
\]
Table 1: Preference Profile

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Table 2: Domination Relation

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

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

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

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 $MB^*(N, V) = \emptyset$. Assume, on the contrary, that there exists an imputation $x$ in
\( \mathcal{MB}^*(N, V) \). We distinguish the following cases.

\[
x \leq u^N(a_1).
\]

(3.4)

As \( a_4 > a_1 \), \((S_4, u^{S_4}(a_4))\) 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 \( x^1 = 0 \).

\[
x^1 \leq u^1(a_3).
\]

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 \( \alpha \in \{a_2, a_3, a_4\} \). 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, \( x \leq u^N(b) \) 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.

\[
x \leq u^N(a_1^*).
\]

(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.

\[
x \leq u^N(b).
\]

(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:

\[
\begin{align*}
y & \leq u^P(c) \quad \text{and} \quad 4 \in P; \\
y & \leq u^P(a_1) \quad \text{and} \quad P = S_1; \\
y & \leq u^P(a_2^*) \quad \text{and} \quad P = S_1; \\
y & \leq u^P(a_4) \quad \text{and} \quad P = S_4.
\end{align*}
\]

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 \((S_2, u^{S_2}(a_2^3))\), 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.
\[
x \leq u^N(c).
\] (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 \((S_3, u^{S_3}(a_3^3))\) 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 \(\Gamma^+\).

**Proof:** It is sufficient to prove that \(\mathcal{MB}^*\) has a closed graph. Thus let \(V^+, k \in \mathbb{N}\), such that \(\lim_{k \to \infty} \delta(V^+, V_k^+) = 0\), and let \(x_k \in \mathcal{MB}^*(V_k^+)\), \(k \in \mathbb{N}\), such that \(\lim_{k \to \infty} x_k = x\).

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 \(\lim_{k \to \infty} y_k = y\). 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.

\textbf{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 $h^S_\epsilon : \mathbb{R}_{+}^S \to \mathbb{R}$ by

$$h^S_\epsilon(x) = 1 + \frac{\epsilon}{2 + \sum_{i \in S} x^i + N \setminus S}.$$  

(4.1)

Using the foregoing equation define

$$V^+_{\epsilon}(S) = \{h^S_\epsilon(x) x \mid x \in V^+(S)\}.$$  

(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 $V^+_{\epsilon}$ is a superadditive $p$-non-levelled game such that $\delta(V^+_{\epsilon}, V^+) < \epsilon$.

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

$$h^S_{\epsilon\cup T}(x, y) \geq \max\{h^S_\epsilon(x), h^T_\epsilon(y)\}.$$  

Thus, $(x_{\epsilon}, y_{\epsilon}) \leq h^S_{\epsilon\cup T}(x, y)(x, y)$. By restricted comprehensiveness, $V^+_{\epsilon}$ 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), $V^+_{\epsilon}$ is non-levelled. Remark 2.4 completes the proof. q.e.d.

**References**

