

Social Decision Order and Endogenous Provision of Public Goods

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Abstract

Many public goods are provided in jurisdictions, clubs, or coalitions. Stability and equilibrium concepts the situation such as core, Tiebout equilibrium, and Nash Equilibrium are investigated. However, there is no noncooperative mechanisms in the literature that explain how individuals can self-organize into public good coalitions. We propose a leaders game where leaders propose public goods and followers decide whether to join. Coalition structures form in subgame perfect equilibrium.

1 Introduction

Different approaches have been taken to investigate the provision of local public goods. The Tiebout equilibrium literature models freely mobile individuals and competing jurisdictions. Individuals choose preferred packages of public goods and tax shares provided by preexisting jurisdictions (Tiebout 1965). Majority voting is commonly used for public goods decisions inside jurisdictions as in Westhoff (1977), Epple and Romer (1992), Konishi (1996). Such local public economies are also modeled as coalitions by Guesnerie and Oddou (1981) and Greenberg and Weber (1986, 1993). The cooperative concept of core allocations exist when the jurisdictions are formed endogenously. Demange (1994) and Kung (2006, 2010) take the coalition formation

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