Group Formation under Community Enforcement

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abstract

Information sharing among group members is important in order for community enforcement to work well. This paper explores a variant of the repeated random matching model with the opportunities of information sharing among group members. However, joining the opportunities costs group members moneys and times. By constructing and analyzing such a model, we present the condition under which community enforcement satisfies subgame perfectness. We also show that to govern a group under community enforcement can be more stable than personal enforcement. In addition, the cost function has an important role to answer the question how large the size of a group is.

Keywords: Community Enforcement, Cooperation, Prisoner's Dilemma, Random Matching, Information Sharing Costs.

JEL Classification Number: D02, D23, D74.