

The core rationalization of payoff allocations

Yasushi Agatsuma*

Abstract

This paper investigates the testable implication of the core of cooperative game with transferable utility (TU cooperative game). We show that for the general TU cooperative game model, the core has no testable implication from finite observations, that is, any finitely many observed allocations are justified as individuals are choosing the core allocation. We then show that with prespecification of the model as the market game, the testable implication of the core is obtained. We derive necessary and sufficient condition for an allocation data combined with initial endowment data to be seen as the core allocation of some market game. The condition consists of two parts, each corresponds to the properties of the core, namely Pareto optimality and coalitional rationality.

*Graduate School of Economics, Waseda University.