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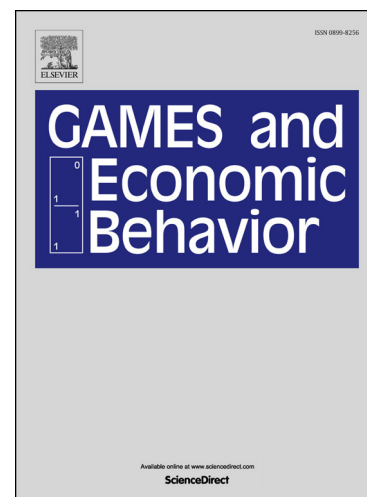
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Existence of Stationary Bargaining Equilibria*

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Abstract

This paper addresses the question of existence of stationary Markov perfect equilibria in a class of dynamic games that includes many known bargaining models and models of coalition formation. General sufficient conditions for existence of equilibria are currently lacking in a number of interesting environments, e.g., models with non-convexities, consumption lower bounds, or an evolving state variable. The main result establishes existence of equilibrium under compactness and continuity conditions, without the structure of convexity or strict comprehensiveness used in the extant literature. The proof requires a precise selection of voting equilibria following different proposals using a generalization of Fatou's lemma.

1 Introduction

Many applications of game-theoretic analysis are predicated on the existence of equilibrium. In simple models, equilibria may be solved for directly, but in more complex models, a general existence result can indicate structure conducive to equilibria and can guide the search for a solution. In less tractable models, the explicit construction of equilibria may not be possible, and in such cases, a general existence result can serve to underpin characterization results by ensuring they are non-vacuous. This paper establishes existence of stationary Markov perfect equilibria in a class of dynamic games that grows out of the bargaining literature in economics and political science, originating with the seminal work of Rubinstein (1982). In economics, a number of

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