

The Role of Transfers in Dynamic TU-Games¹

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Abstract

Dynamic TU-games are considered which consist of a finite player set, a finite sequence of TU-games and a profile of utility functions. At every stage a (restrictively) additive solution is applied to the TU-game, which results in a stream of payoff distributions, evaluated by the utility functions of the players. Players are able to transfer payoffs between stages. The strategic possibilities from individual transfers between periods are modeled by a noncooperative game. Conditions under which a Nash equilibrium in this noncooperative game exists, are established. It is shown when a Nash equilibrium in dominant strategies is Pareto optimal.

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