

CORE DISCUSSION PAPER
2001/19

**GENERIC EFFICIENCY AND COLLUSION-PROOFNESS IN
EXCHANGE ECONOMIES**

Gaël GIRAUD¹ and Céline ROCHON²

April 2001

Abstract

We define a new strategic equilibrium concept - called *strong collusion-proof contract* - designed to characterize stable communication agreements in games with differential information against non-binding, self-enforcing and incentive compatible deviations by coalitions. We then construct a strategic market mechanism which, for quasi-linear economies, is such that its strong collusion-proof contracts generically induce the incentive compatible *interim* efficient allocations. Moreover, it is such that these allocations can be achieved by strong collusion-proof contracts. We show that the internally consistent extension of the strong collusion-proof contracts generically yields the same set of efficient allocations.

Keywords: coalition-proofness, Bayesian implementation, communication equilibrium, *interim* efficiency.

JEL Classification: C72, D82, D51 + implementation.

¹BETA, Université Louis Pasteur, France. E-mail: giraud@cournot.u-strasbg.fr

²CORE, Université catholique de Louvain, Belgium. E-mail: rochon@core.ucl.ac.be

We wish to thank Claude d'Aspremont, David Martimort, Jean-François Mertens and Heracles Polemarchakis for helpful comments on an earlier version. The usual disclaimer applies.

This paper presents research results of the Belgian Program on Interuniversity Poles of Attraction initiated by the Belgian State, Prime Minister's Office, Science Policy Programming. The scientific responsibility is assumed by the authors.