Coordination in Social Networks

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Abstract

This paper studies a collective action problem in a setting of discounted repeated coordination games in which players know their neighbors' inclination to participate as well as monitor their neighbors' past actions. I define *strong connectedness* to characterize those states in which, for every two players who incline to participate, there is a path consisting of players with the same inclination to connect them. Given that the networks are fixed, finite, connected, commonly known, undirected and without cycles, I show that if the priors have full support on the strong connectedness states, there is a (weak) sequential equilibrium in which the ex-post efficient outcome repeats after a finite time T in the path when discount factor is sufficiently high. This equilibrium is constructive and does not depend on public or private signals other than players' actions.