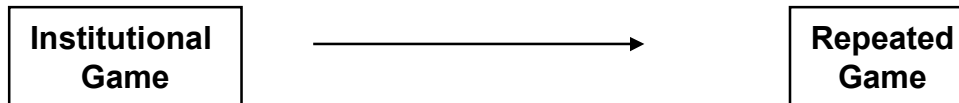


Figure 2.1 Modeling Overview



BASIC FEATURES

- . Choose constitution
- . Set of trigger points for disciplining center
- . Definition of “institutional power” of center

KEY QUESTIONS

- . What triggers chosen?
- . How strong is center?

BASIC FEATURES

- . Federalism ongoing, repeated
- . States choose to contribute, shirk or exit
- . Center determines how much to provide for public goods and how to enforce penalties

KEY QUESTIONS

- . Can federalism be an equilibrium?
- . What factors determine set of equilibrium federations?

Figure 2.2 Sequence of Play in RG Stage Game

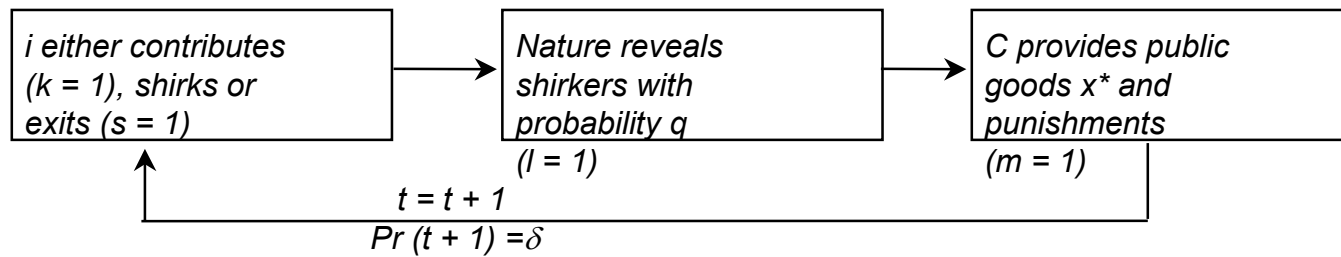


Figure 2.3 Sequence of Play in IG

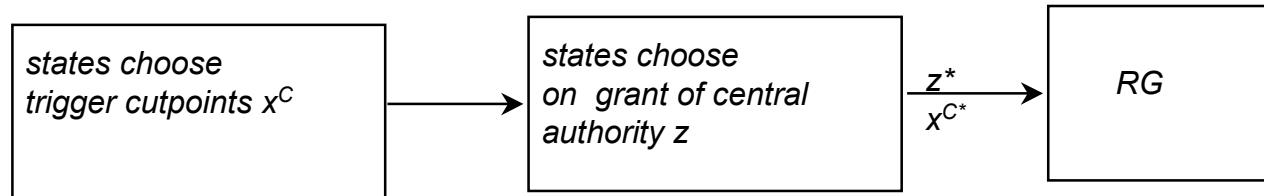


Figure 3.1 Equilibria of the RG

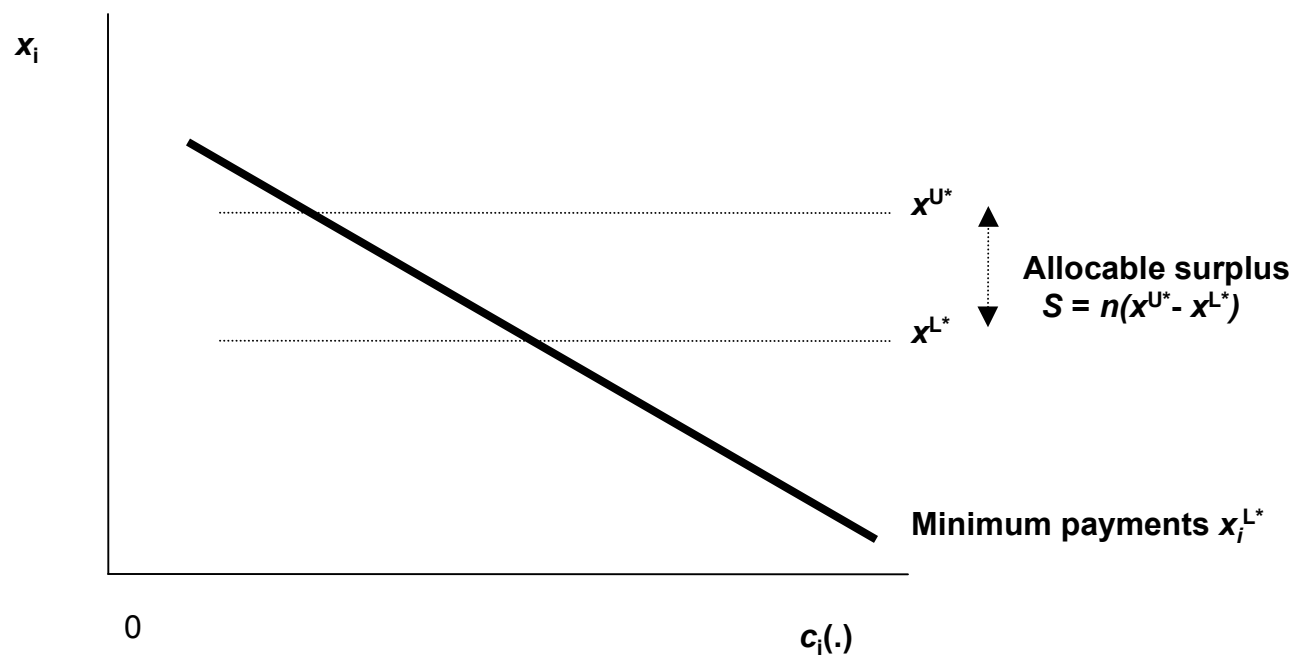


Figure 3.2 Illustrative Surplus Allocations

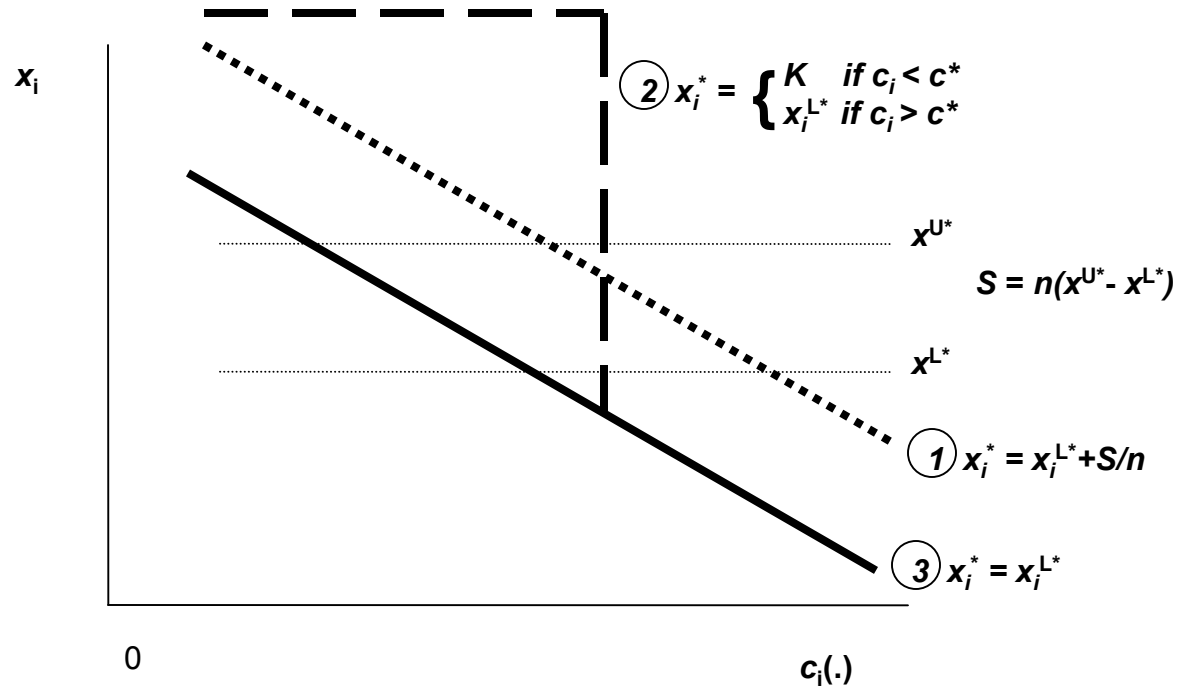


Figure 4.1 Equilibrium Profiles for the IG

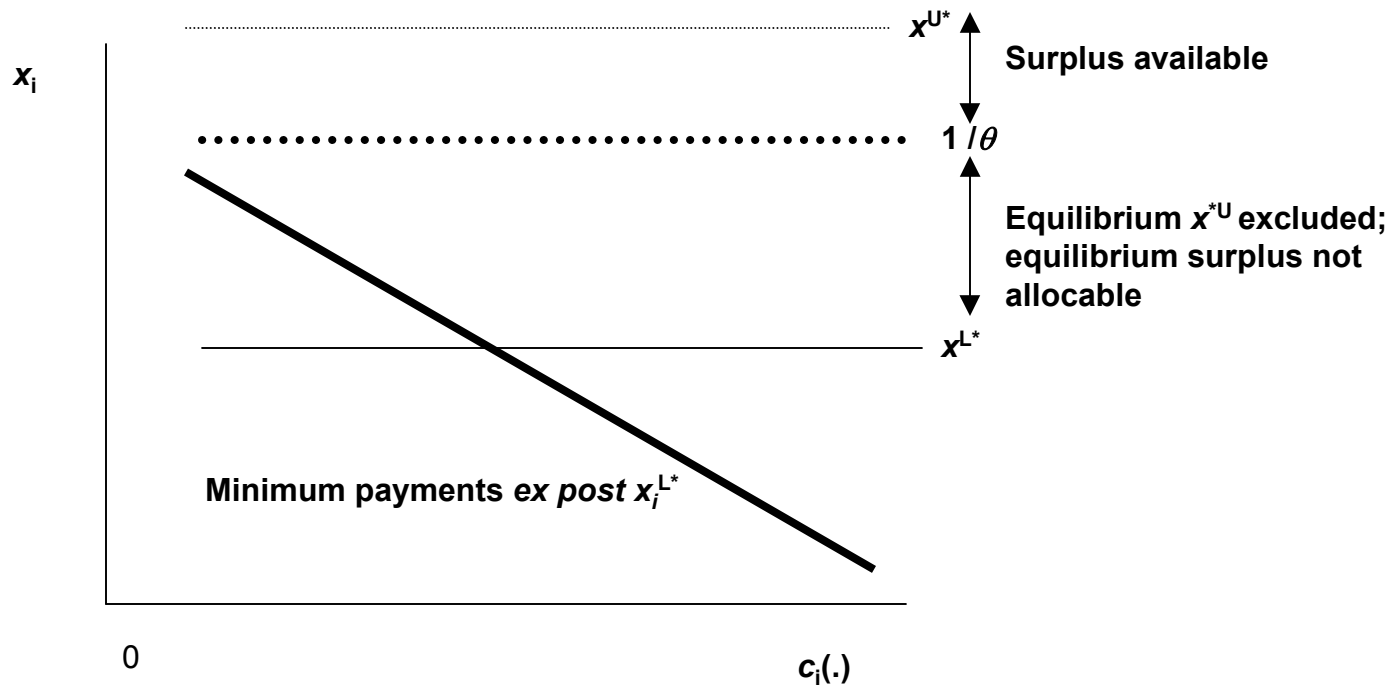


Figure 5.1 Illustrative Optimal Inclusion of State n

