

## **Social Clubs and Social Networks**

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**Abstract:** We present a strategic network formation model which is based on club memberships. Agents choose the set of clubs with which they wish to be affiliated. The set of all club memberships (an Environment) induces a weighted network where two agents are directly connected if they share a club. Two agents may also be indirectly connected using multiple memberships of third parties. Agents gain from their position in the induced network and pay membership fees. Thus, the clubs and the network are formed simultaneously. Using two specifications of the weighting function we introduce two models - one of club congestion where each link's weight depends on the shared club's size, and one of individual congestion where each link's weight depends on the number of affiliations of both agents. In the club congestion model we focus on the trade-off between the club's size, the indirect connections' depreciation and the membership fees. In the individual congestion model a coordination failure arises due to the wide externalities incurred by the formation of new affiliations. We introduce two stability concepts interpreted as different sets of club rules and show that clubs' rules are crucial in determining the set of stable environments. This framework enables an empirical examination into the role of linking platforms in shaping real-life social networks.