# Newsletter 27/2012

## AWI This Week

| Monday, 3.12.12 | Departmental Seminar |
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| 17.15-18.45 | Aniol Llorente-Saguer, MPI for Collective Goods |
| AWI 00.010 | "Divided Majority and Information Aggregation: Theory and Experiment" |

| Tuesday, 4.12.12 | Economics & Politics Seminar |
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| 14.15-15.15 | Dimiter Toshkov, University of Leiden |
| AWI 02.036 | "Why do legislative proposals fail?" |

| Wednesday, 5.12.12 | Departmental Seminar II |
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| 17.15-18.45 | Frank Riedel, University of Bielefeld |
| AWI 00.010 | "Strategic Ambiguity in Games" |

## Jour Fix

The AWI JOUR FIXE takes place at the Lounge on a weekly basis on Mondays from 16:30 till 17:15 (i.e., just before the departmental seminar). There you will have the opportunity to meet the speaker, enjoy a coffee, and exchange news and discuss research with other members of the AWI.

## Departmental Seminar

Aniol Llorente-Saguer

"Divided Majority and Information Aggregation: Theory and Experiment"*

This paper both theoretically and experimentally studies the properties of plurality and approval voting when the majority is divided as a result of information imperfections. The minority backs a third alternative, which the majority views as strictly inferior. The majority thus faces two problems: aggregating information and coordinating to defeat the minority candidate. Two types of equilibria coexist under plurality: either voters aggregate information, but this requires splitting their votes, or they coordinate but cannot aggregate information. With approval voting, expected welfare is strictly higher, because some voters multiple vote to achieve both goals at once. In the laboratory, we observe both types of equilibrium under plurality. Which one is selected depends on the size of the minority. Approval voting vastly outperforms plurality. Finally, subject behavior suggests the need to study asymmetric equilibria.

*with Laurent Bouton and Micael Castanheira

## Economics & Politics Seminar

Dimiter Toshkov

"Why do legislative proposals fail?"

In all political systems proposals for new legislation sometimes fail to get final approval and become law; furthermore, the rejection rate varies significantly across political systems and over time. Rejected proposals present a puzzle for the standard models of inter-institutional legislative decision making: one needs to introduce adhoc extensions and/or allow for incomplete information to account for failed proposals. But the existing literature fails to consider under what conditions is incomplete information compatible with the incentives of the decision makers. In this paper I analyze several spatial decision making models under incomplete information and show that *1a)* in closed-rule systems, failed proposals are made with positive probability in equilibrium, while *1b)* failed proposals occur when the players are on the same side of the status quo; but *2)* in open-rule systems, incomplete information is not sufficient to account for failed proposals in equilibrium. In the remainder of the paper I discuss the implications of introducing a higher-dimensional policy space, and a higher number of decision making players for these conclusions. I also illustrate the models with examples from EU legislative decision making.

## Departmental Seminar II

Frank Riedel

"Strategic Ambiguity in Games"

We propose a framework for normal form games where players can use Knightian uncertainty strategically. In such Ellsberg games, ambiguity– averse players may render their actions objectively ambiguous by using devices such as Ellsberg urns, in

addition to the standard mixed strategies. While Nash equilibria remain equilibria in the extended game, there arise new Ellsberg equilibria with distinct outcomes, as we illustrate by negotiation games with three players. We characterize Ellsberg equilibria in two–person games with conflicting interests. These equilibria turn out to be consistent with experimental deviations from Nash equilibrium play.
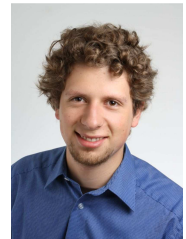
# Talks and Research Visits

Switgard Feuerstein gave a lecture on "The problems of the euro - the German view" at the seminar *L'Europe et l'Euro en temps de crise - une perspective franco-allemande* at the Université de Cergy-Pontoise, Paris, November 27.

Jörg Oechssler gave a talk on "Bubbles auf Finanzmärkten" at the *AK Real World Economics Heidelberg*, University of Heidelberg, November 22.

# New and Leaving Staff

As a new doctoral student Michael Schleicher has joined Stefan Klonner's department of development economics in November 2012. Michael has just finished his Master in International Economics at Göttingen University and wrote his master thesis at the GIGA Institute in Hamburg. His research interests are in poverty related issues on household level.