

Ray, Debraj; Eliaz, Kfir; Razin, Ronny

Working Paper

Group Decision-Making in the Shadow of Disagreement

Nota di Lavoro, No. 83.2004

Provided in Cooperation with:

Fondazione Eni Enrico Mattei (FEEM)

Suggested Citation: Ray, Debraj; Eliaz, Kfir; Razin, Ronny (2004) : Group Decision-Making in the Shadow of Disagreement, Nota di Lavoro, No. 83.2004, Fondazione Eni Enrico Mattei (FEEM), Milano

This Version is available at:

<https://hdl.handle.net/10419/117963>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

Group Decision-Making in the Shadow of Disagreement

Kfir Eliaz, Debraj Ray
and Ronny Razin

NOTA DI LAVORO 83.2004

MAY 2004

CTN – Coalition Theory Network

Kfir Eliaz and Ronny Razin, *Department of Economics, New York University*
Debraj Ray, *Department of Economics, New York University*
and *Instituto de Análisis Económico (CSIC)*

This paper can be downloaded without charge at:

The Fondazione Eni Enrico Mattei Note di Lavoro Series Index:
<http://www.feem.it/Feem/Pub/Publications/WPapers/default.htm>

Social Science Research Network Electronic Paper Collection:
<http://ssrn.com/abstract=XXXXXX>

The opinions expressed in this paper do not necessarily reflect the position of
Fondazione Eni Enrico Mattei

Group Decision-Making in the Shadow of Disagreement

Summary

A model of group decision-making is studied, in which one of two alternatives must be chosen. While group members differ in their valuations of the alternatives, everybody prefers some alternative to disagreement. Our model is distinguished by three features: *private information* regarding valuations, varying *intensities* in the preference for one out-come over the other, and the option to declare *neutrality* in order to avoid disagreement. We uncover a variant on the “tyranny of the majority”: there is always an equilibrium in which the majority is more aggressive in pushing its alternative, thus enforcing their will via both numbers and voice. However, under very general conditions an aggressive minority equilibrium inevitably makes an appearance, provided that the group is large enough. This equilibrium displays a “tyranny of the minority”: it is always true that the increased aggression of the minority more than compensates for smaller number, leading to the minority outcome being implemented with larger probability than the majority alternative. In all cases the option to remain neutral ensures that the probability of disagreement is bounded away from one (as group size changes), regardless of the supermajority value needed for agreement, as long as it is not unanimity.

Keywords: Collective decision-making, Groups, Disagreements, Decision rules

JEL Classification: D71, D78, D82

We thank Muhamet Yildiz for useful comments. Ray acknowledges support from the National Science Foundation.

This paper was presented at the 9th Coalition Theory Workshop on "Collective Decisions and Institutional Design" held in Barcelona, Spain, on 30-31 January 2004 and organised by the Universitat Autònoma de Barcelona.

Address for correspondence:

Debraj Ray
Department of Economics
New York University
269 Mercer Street
7th Floor
New York, NY 10003
USA
E-mail: debraj.ray@nyu.edu

1 Introduction

In many situations, a group of individuals must decide between alternative courses of action, in a context where disagreement (not implementing a choice at all) is the worst possible outcome for all concerned. A government may need to formulate a long-run response to terrorism: individuals may (strongly) disagree over the nature of an appropriate response, but everyone would deplore complete inaction. An academic department may need to make an offer to one of several candidates. Again, individuals differ in their relative preferences but no one wants to see their slot taken away by the Dean because they couldn't agree on an offer. Jury members in the process of deliberation may disagree on whether or not the defendant is guilty; however, in most cases they all prefer to reach an agreement than to drag the deliberations on endlessly. And of course, the bargaining literature presents a plethora of examples in which non-agreement is universally regarded as a bad outcome.

The goal of this paper is to study a particular formulation of group decision-making in the shadow of disagreement, one which we believe to be representative of many real-world scenarios.¹ We proceed as follows.

A group of n agents must make a joint choice from a set of two alternatives. Each agent must either name an alternative — A or B — or she can declare “neutrality”, in that she agrees to be counted, in principle, for either side. Once this is accomplished, we tally declarations for each alternative, *including the number of neutral announcements*. If, for an alternative, the resulting total is no less than some exogenously given supermajority, we shall call that alternative *eligible*.

Because neutral announcements are allowed for and tallied on both sides, all sorts of combinations are possible: exactly one alternative may be eligible, or both, or neither. If *exactly* one alternative is eligible, that alternative is implemented. If both are eligible — as will typically be the case when there are a large number of neutrals — one alternative is picked and implemented at random. If neither is eligible — which will happen if there is a fierce battle to protect one's favorite alternative — then no alternative is picked: the outcome is disagreement.

The objective of the paper is to set up this model and study its equilibria.

Several features of the model deserve comment. First, while the specific formulation is cast in terms of a voting model, we do not necessarily have voting in mind. The exogenously given supermajority may or may not amount to full consensus or unanimity, and in any case is to be interpreted as some preassigned degree of consensus that the group needs to achieve.

¹Thus it is not an axiomatic description of a normative or quasi-normative solution that we are after, as in Nash bargaining, nor so we seek to implement a particular solution correspondence by the choice of a mechanism.

Second, the neutrality announcement is a novel feature of our model. Neutrality can be interpreted in several ways.

- *Approval voting.* In our example of an Economics department deciding on a chair, approval voting would mean that each faculty member is asked to submit the name or names of those candidates, which he thinks are capable of acting as chair, and that candidate which reaches some supermajority of the votes is elected chair. In this example, a voter who approves both candidates is effectively declaring neutrality.
- *Informal group decision-making.* As we mentioned above, our model need not apply only to formal voting institutions. What we also have in mind are everyday situations in which a collective of individuals need to decide between two alternatives. In such situations it is often the case that some individuals, who do not feel strongly towards either alternative, declare that they will go along with any alternative that is picked by the others.
- *Black box/Reduced form.* One could imagine several informal mechanisms that help individuals to avoid disagreement by allowing their vote to be counted in a way that ensures a win to one of the alternatives. For example, one could delegate his ballot to an impartial arbitrator, who appreciates the anxiety of all concerned to avoid disagreement, and is therefore interested in implementing some outcome. Therefore, one could interpret the neutrality declaration as the reduced form of some unspecified procedure, which is used to help avoid unnecessary disagreements.

Third, we are interested in the “intensity” of preference for one alternative over the other, and how this enters into the decision to be neutral, or to fight for one’s favorite outcome. Specifically, we permit each person’s valuations to be independent (and private) draws from a distribution, and allow quite generally for varying cardinal degrees of preference. A corollary of this formulation is that *others* are not quite sure of how strongly a particular individual might feel about an outcome and therefore about how that individual might behave. This is one way in which uncertainty enters the model.

Uncertainty also plays an additional role, in that no one is sure how many people favor one given alternative over the other. To be sure, we assume that there is a common prior — represented by an independent probability p — that an individual will favor one alternative (call it A) over the other (call it B). Without loss of generality take $p \leq 1/2$. If, in fact, $p < 1/2$, one might say that it is commonly known that people of “type A ” are in a minority, or more precisely in a stochastic minority.

We will see that these two types of uncertainty are very important for the results we obtain.

A major goal of the paper is to study equilibria that “favor” one side: either the minority or the majority. It is intuitive — and we develop this formally in the analysis — that in any equilibrium, each individual will use a cutoff rule: there will exist some critical relative intensity of preference (for A over B or *vice versa*) such that the individual will announce her favorite outcome if intensities exceed this threshold, and neutrality otherwise. If the cutoff is lower, then a type may be viewed as being more “aggressive”: she announces her own favorite outcome more easily (and risks disagreement with greater probability). Thus, equilibria in which an individual of the majority type uses a lower cutoff than an individual of the minority type may be viewed as favoring the majority: we call them *majority equilibria*. Likewise, equilibria in which the minority type uses a lower cutoff will be called *minority equilibria*.

One might use a parallel from the Battle of the Sexes (after all, in some sense, our model is an enriched version of that game) to search for particular majority or minority equilibria. For instance, might one not be able to sustain an equilibrium in which all members of a particular type are “fully aggressive” (using the lowest possible cutoff) while their opponents all timidly declare neutrality, regardless of valuation? The answer is that such a configuration is indeed an equilibrium. But, as we argue in detail in Section 3.2.2, this equilibrium fails a weak robustness or stability criterion. If the compatriots of, say, a type- A individual *do* announce neutrality for a huge range of relative valuations (rather than the *entire* range), it will push an individual type- A person to announce A for a large range of valuations, thus rendering the “perfect neutrality” cutoff unstable to the tiniest perturbations. As we shall see in Section 3.2.2, uncertainty about group sizes plays a central and indispensable role in this result, though this is not the only indispensable role played by uncertainty in this model.

Nevertheless, Proposition 1 establishes that a *majority equilibrium* — one satisfying the robustness criterion just described — always exists. In this equilibrium, both sides use “interior” cutoffs, but the majority uses a more aggressive cutoff than the minority. This is an interesting manifestation of the “tyranny of the majority”. Not only are the majority greater in number (or at least stochastically so), they are also more vocal in expressing their opinion. In response — and fearing disagreement — the minority are more cowed towards neutrality. So in majority equilibrium, group outcomes are doubly shifted towards the majority view, once through numbers, and once through greater voice.

We then turn to minority equilibria. Given the refinement described two paragraphs ago, such equilibria do not generally exist; indeed, it is easy enough to find examples of nonexistence. Yet Proposition 2 establishes the following result: if the required supermajority μ is not unanimity (i.e., $\mu < 1$), and if the size of the stochastic minority p exceeds $1 - \mu$, then for all sufficiently large population sizes, a minority equilibrium must exist.

How large is large? To be sure, the answer must depend on the model specifics, but

our computations suggest that in reasonable cases, population sizes of 8–10 (certainly less than the size of a jury!) are enough for existence.

We found this result remarkable, though we confess that we do not understand it fully. In part, it is intuitive. As population size increases, the two types of uncertainty that we described — uncertainty about type and uncertainty regarding valuation intensity — tend to diminish under the strength of the Law of Large Numbers. This would do no good if $p < 1 - \mu$, for then the minority would neither be able to win, nor would it be able to block the majority. [Indeed, Proposition 5 in Section 6.2 shows that if $p < 1 - \mu$, then for large population sizes a minority equilibrium cannot exist.] But if p exceeds $1 - \mu$, the minority acquires “credibility” to block the wishes of the majority, or at least does so when the population is large enough.

For two reasons, however, this notion of “credible blocking” does not form a complete explanation. First, credible blocking is not tantamount to a credible *win*. Indeed, it is easy to see that as μ goes up, the minority find it easier to block but also harder to win. So the previous result must *not* be viewed as an assertion that the minority is “better protected” by an increase in μ . As the example in Section 6.2 makes clear, this is not true. Nevertheless, insofar as existence is concerned, the fact that $p > 1 - \mu > 0$ guarantees existence for large population sizes.

Second, the case of unanimity remains open. The techniques used to prove Proposition 2 do not work in that case, and indeed we conjecture that the result is false. That is, we claim that one can write down a group decision model with unanimity in which a minority equilibrium never exists, no matter what the population size is. We report on this conjecture in Section 6.2. So blocking credibility alone does not translate into the existence of a minority equilibrium in the unanimity case.

The next main result in the paper studies minority equilibrium. Recall that in the majority equilibrium, the majority group will have a greater chance of implementing its preferred outcome on two counts: greater voice, and greater number. Obviously, this synergy is reversed for the minority equilibrium: there, the minority have greater voice, yet they have smaller numbers. One might expect the net effect of these two forces to result in some ambiguity. The intriguing content of Proposition 3 is that in a minority equilibrium, *the minority must always implement its favorite action with greater probability than the majority*. Voice more than compensates for number.

Our paper thus suggests that in group decision-making the outcomes tend to be invariably biased in one direction or another. In majority equilibrium this is obvious. But it is also true of minority equilibrium. This lends some support to the view that group decision-making tends to have an extreme character of its own, something that this model does share (but for subtler reasons) with the Battle of the Sexes.

One might criticize Proposition 3 on the grounds that it may be empty. Minority equilibrium typically exist for large population sizes, but for such equilibria the probability of disagreement should be very large or approaching unity. [For instance, suppose

that μ is very close to unity. Wouldn't all outcomes be blocked?] Of course, this sort of argumentation neglects the strategic nature of decision-making in this model. Individual cutoffs vary endogenously with population size, after all. Indeed, Proposition 4 establishes that the probability of disagreement is not only strictly less than unity in all equilibria and for all population sizes, *it is bounded away from one as the population size goes to infinity*.² Therefore Proposition 3 has a force that does not fade with increasing population.

1.1 Related Literature

One central result in our paper is that minorities may fight more aggressively and win. One might think that minorities put up a stronger fight due to a free-rider effect. However, voting is costless in our model, and hence, groups are not subject to the classical free-rider problem. Moreover, in the literature on costly voting (Ledyard (1984), Palfrey and Rosenthal (1983) and Campbell (1999)), even when the minority fights harder, the majority still wins more often.

Of these papers, Campbell (1999) is most related to ours. In a costly voting model with two alternatives, this paper studies the following question: can "zealous" minorities win in a majority vote despite their disadvantage in size? Although the focus of this paper is different than ours, one important implication of his results can be contrasted with our findings. When both groups are equally zealous, the unique equilibrium outcome for large electorates involves the minority fighting more aggressively, yet losing the election more often than not.

An important feature of our model is that individuals base their decision on how strongly they prefer one alternative to another. This feature is shared with several papers that investigate different mechanisms in which intensity of preferences determine individual voting behavior. Vote-trading mechanisms, in which voters can trade their votes with one another, have been analyzed in Buchanan and Tullock (1962) and have more recently been revisited by Philipson and Snyder (1996) and Piketty (1994). Cumulative voting mechanisms in which each voter may allocate a fixed number of votes among a set of candidates has been analyzed as early as in Dodgson (1884) and more recently revisited by Morton and Rietz (1998) and Jackson and Sonnenschein (2003). Finally, Casella (2003) introduces a mechanism of storable votes, in which voters can choose to store votes in order to use them in situations that they feel more strongly about.

The above papers offer new mechanisms of voting and try to determine their normative properties. Our focus is different. Rather than offer a new mechanism, we claim that issues of intensity of preferences exist in many real-life situations of group decision-making. Our analysis highlights the importance of consensus and the fear of gridlock

²Once again, we need to assume that $\mu < 1$. The unanimity case is discussed in Section 6.

as a mechanism through which intensities of preferences are translated into the decision making process. In this context, Ponsati and Sákovicz (1996) is also related to the present paper. Indeed, their model is more ambitious in that they explicitly attempt to study the dynamics of capitulation in an ambient environment similar to that studied here. This leads to a variant on the war of attrition, and their goal is to describe equilibria as differential equations for capitulation times, at which individuals cease to push their favorite alternative.

Our paper is also connected to experimental literature on jury behavior. Several studies performed by Kahneman, Schkade and Sunstein (1998a, 1998b, 1999) on mock juries have arrived at the following conclusions: (1) different juries are likely to reach similar conclusions about the relative severity of different cases, and (2) juries do not produce less erratic and more predictable awards than individuals. Although these studies were performed on cases of punitive damages, rather than criminal cases (where the decision is binary), the above findings can be interpreted in a manner consistent with our results. First, the relative composition of the jury, whether the majority are white, black, poor or rich, does not affect the jury's decision in an unambiguous way. Put differently, a jury may decide on the same punitive damages to a black plaintiff when the majority of jury members are black as well as when the majority are white. Second, if decisions made by juries were more predictable than ones made by individuals, then one would expect that a randomly selected jury will most likely make a decision, which conforms with the views of the majority in the population. Hence, the unpredictability of jury decisions can be interpreted as multiple equilibria: it is just as likely that the minority will influence the decision of the jury, as it is that the majority will influence its decision.

2 The Model

2.1 The Group Choice Problem

A group of n agents must make a joint choice from a set of two alternatives, which we denote by A and B . The rules of choice are described as follows:

- [1] Each agent must either name an alternative — A or B — or she can declare “neutrality”, in that she agrees to be counted, in principle, for either side.
- [2] If the total number of votes for an alternative plus the number of neutral votes is no less than some exogenously given supermajority m ($> n/2$), then we shall call that alternative *eligible*.
- [3] If no alternative is eligible, no alternative is chosen: a state D (for “disagreement”) is the outcome.

[4] If a single alternative is eligible, then that alternative is chosen.

[5] If *both* alternatives are eligible, A or B are chosen with equal probability.

2.2 Valuations

Normalizing the value of disagreement to zero, each individual will have valuations (v_A, v_B) over A and B . These valuations are random variables, and we assume they are private information. Use the notation (v, v') , where v is the valuation of the favorite outcome ($\max\{v_A, v_B\}$), and v' is the valuation of the remaining outcome ($\min\{v_A, v_B\}$). An individual will be said to be of *type A* if $v = v(A)$, and of *type B* if $v = v_B$. [The case $v_A = v_B$ is unimportant as we will rule out mass points below.]

Our first restriction is

[A.1] Each individual prefers either outcome to disagreement. That is, $(v, v') \gg 0$ with probability one.

In Section 6 we explore the consequences of dropping the assumption that disagreement is worse than either alternative.

In what follows we shall impose perfect symmetry across the two types *except* for the probability of being one type or the other, which we permit to depart from $1/2$. [The whole idea, after all, is to study majorities and minorities.]

[A.2] A person is type A with (iid) probability $p \in (0, 1/2]$, and is type B otherwise. Regardless of specific type, however, (v, v') are chosen independently and identically across agents.

2.3 The Game

First, each player is (privately) informed of her valuation (v_A, v_B) . Conditional on this information she decides to announce either A or B , or simply remain neutral and agree to be counted in any direction that facilitates agreement. Because an announcement of the opposite alternative (to a player's type) is weakly dominated by a neutral stance, we presume that each player either decides to vote her own type, or to be neutral.³ The rules in Section 2.1 then determine expected payoffs.

³For a similar reason we need not include the possibility of abstention. Abstention (as opposed to neutrality) simply increases the probability of disagreement, which all players dislike by assumption.

3 Equilibrium

3.1 Cutoffs

Consider a player of a particular type, with valuations (v, v') . Define $q \equiv n - m$. Notice that our player only has an effect on the outcome of the game (that is, she is pivotal) in the event that there are *exactly* q other players announcing her favorite outcome. For, suppose there are more than q such announcements, say for A . Then B cannot be eligible, and whether or not A is eligible, our player's announcement cannot change this fact. So our player has no effect on the outcome. Likewise, if there are strictly less than q announcements of A , then B is eligible whether or not A is, and our player's vote (A or neutral) cannot change the status of the latter.

Now look at the pivotal events more closely. One case is when there are precisely q announcements in favor of A , and $q + 1$ or more announcements favoring B . In this case, by staying neutral our agent ensures that B is the only eligible outcome and is therefore chosen. By announcing A she guarantees that neither outcome is eligible, so disagreement ensues. In short, by switching her announcement from neutral to A , our agent creates a personal loss of v' .

In the second case, there are q announcements or less in favor of B . In this case, by going neutral our agent ensures that A and B are both eligible, so the outcome is an equiprobable choice of either A or B . On the other hand, by announcing A , our agent guarantees that A is the *only* eligible outcome. Therefore by switching in this instance from neutral to announcing A , our agent creates a personal gain of $v - (v + v')/2$.

To summarize, let P^+ denote the probability of the former pivotal event (q compatriots announcing A , $q + 1$ or more announcing B) and P^- the probability of the latter pivotal event (q compatriots announcing A , q or less announcing B). It must be emphasized that these probabilities are not exogenous. They depend on several factors, but most critically on the strategies followed by the other agents in the group. Very soon we shall look at this dependence more closely, but notice that even at this preliminary stage we can see that our agent must follow a *cutoff rule*. For announcing A is weakly preferred to neutrality if and only if

$$P^- [v - (v + v')/2] \geq P^+ v'.$$

Define $u \equiv \frac{v - (v + v')/2}{v'}$. Note that (by [A.1]) u is a well-defined random variable. Then the condition above reduces to

$$P^- u \geq P^+, \tag{1}$$

which immediately shows that our agent will follow a cutoff rule using the variable u .

Notice that we include the extreme rules of always announcing neutrality (or always announcing one's favorite action) in the family of cutoff rules. [Simply think of u as

a nonnegative extended real.] If a cutoff rule does not conform to one of these two extremes, we shall say that it is *interior*.

By [A.2], the variable u has the same distribution no matter which type we are referring to. We assume

[A.3] u is distributed according to the atomless cdf F , with strictly positive density f on $(0, \infty)$.

3.2 Symmetric Equilibrium

In this paper, we study symmetric equilibria: those in which individuals of the same type employ identical cutoffs.

3.2.1 Symmetric Cutoffs

Assume, then, that all A -types use the cutoff u_A and all B -types use the cutoff u_B . We can now construct the probability that a *randomly chosen* individual will announce A : she must be of type A , which happens with probability p , and she must want to announce A , which happens with probability $1 - F(u_A)$. Therefore the overall probability of announcing A , which we denote by λ_A , is given by

$$\lambda_A \equiv p[1 - F(u_A)].$$

Similarly, the probability that a randomly chosen individual will announce B is given by

$$\lambda_B \equiv (1 - p)[1 - F(u_B)].$$

With this notation in hand, we can rewrite the cutoff rule (1) more explicitly. First, add P^- to both sides to get

$$P^-(1 + u) \geq P^+ + P^-.$$

Assuming that we are studying this inequality for a person of type A , the right-hand side is the probability that exactly q individuals announce A , while the left-hand side is the joint probability that exactly q individuals announce A *and* no more than q individuals announce B . With this in mind, we see that the cutoff u_A must solve the equation

$$\binom{n-1}{q} \lambda_A^q \sum_{k=0}^q \binom{n-1-q}{k} \lambda_B^k (1 - \lambda_A - \lambda_B)^{n-1-q-k} (1 + u_A) = \binom{n-1}{q} \lambda_A^q (1 - \lambda_A)^{n-1-q}. \quad (2)$$

Likewise, the cutoff u_B solves

$$\binom{n-1}{q} \lambda_B^q \sum_{k=0}^q \binom{n-1-q}{k} \lambda_A^k (1-\lambda_A-\lambda_B)^{n-1-q-k} (1+u_B) = \binom{n-1}{q} \lambda_B^q (1-\lambda_B)^{n-1-q}. \quad (3)$$

We will sometimes refer to these cutoffs as “best responses”, though it should be clear that u_A embodies not just a “response” by an individual but also an equilibrium condition: that this individual response is equal to the cutoff employed by all compatriots of the same type.

3.2.2 A Simple Refinement

At this stage, an issue arises which we would do well to deal with immediately. It is that a symmetric cutoff of ∞ is always a best response for any type to any cutoff employed by the other type, provided that $q > 0$. This is easy enough to check: if no member in group A is prepared to declare A in any circumstance, then no A -type will find it in her interest to do so as well. This is because (with $q > 0$) no such individual is ever pivotal.

Hence the “full neutrality cutoff” $u = \infty$ is always a best response. But it is an unsatisfactory best response. The reason is that if the compatriots of, say, a type- A individual *do* announce A for a tiny range of very high u -values, it will push an individual type- A person to announce A for a large range of u -values, thus rendering the cutoff $u_A = \infty$ “unstable”.

First let us give an intuitive argument for this. Consider an individual of type A , and let us entertain a small perturbation in the strategy of her compatriots: they use a very large cutoff, but not an infinite one. Now, in the event that our agent is pivotal, it must be that her group is very large with high probability, because her compatriots are only participating to a tiny extent, and yet there are q participants in the pivotal case. This means that group A is likely to win (conditional on the pivotal event), and our individual will want to declare A for a large range of her u -values. This shows the “instability” of the cutoff $u_A = \infty$.

This argument has a clean counterpart in the formal analysis. Once we allow for compatriots (say, of type A) to use any interior cutoff u_A , we have $\lambda_A > 0$, so that (2) reduces to the simpler form

$$\sum_{k=0}^q \binom{n-1-q}{k} \lambda_B^k (1-\lambda_A-\lambda_B)^{n-1-q-k} (1+u'_A) = (1-\lambda_A)^{n-1-q}. \quad (4)$$

where we’re denoting our individual’s cutoff by u'_A as a reminder that we haven’t imposed the symmetry condition yet.

If we divide λ_B by $1 - \lambda_A$, we form the probability that a randomly chosen person announces B conditional on her not announcing A . Let's call this probability π :

$$\pi \equiv \frac{\lambda_B}{1 - \lambda_A}.$$

With this notation, (4) may be rewritten as

$$\frac{1}{1 + u'_A} = \sum_{k=0}^q \binom{m-1}{k} \pi^k (1 - \pi)^{m-1-k}, \quad (5)$$

where m , it will be recalled, is the size of the supermajority ($n - q$ in other words). Now imagine that all compatriots have a very large cutoff, so that u_A is very big. Then λ_A is close to zero, so that $\pi \simeq \lambda_B$. So, by (5), u'_A is bounded. This means that the full-neutrality response is not robust to small perturbations away from full neutrality.

These arguments are *a fortiori* true in the special case of unanimity: $q = 0$. Indeed, it is easy to check that full neutrality is *never* a best response in this case, so no robustness arguments need to be invoked.

Note that invoking weak dominance does not rule out full neutrality. To see this consider the profile in which both groups use a cutoff of zero and so are always voting their type. In this case, when a voter of type A is pivotal, he knows for sure that there are more than q declarations of B. Therefore, this voter has a strict incentive to claim neutrality. Note however, that the above profile is the only profile against which neutrality is a strict best response for *every* type.

3.2.3 Equilibrium Conditions

In summary, then, the arguments of the previous section permit us to rewrite the equilibrium conditions (2) and (3) as follows:

$$\alpha(u_A, u_B) \equiv (1 + u_A) \sum_{k=0}^q \binom{m-1}{k} \pi^k (1 - \pi)^{m-1-k} = 1, \quad (6)$$

and

$$\beta(u_A, u_B) \equiv (1 + u_B) \sum_{k=0}^q \binom{m-1}{k} \sigma^k (1 - \sigma)^{m-1-k} = 1, \quad (7)$$

where $m = n - q$, $\pi \equiv \lambda_B / (1 - \lambda_A)$, and $\sigma \equiv \lambda_A / (1 - \lambda_B)$.

We dispose immediately of a simple subcase: the situation in which there is simple majority and n is odd, so that q precisely equals $(n - 1)/2$. The following result applies:

Observation 1 *If $q = (n - 1)/2$, there is a unique equilibrium which involves $u_A = u_B = 0$.*

To see why this must be true, consult (6) and (7). Notice that when $q = (n - 1)/2$, it must be that $m - 1 = n - q - 1 = q$. So the best responses must equal zero no matter what the size of the other group's cutoff. In words, there is no cost to announcing one's favorite outcome in this case. Recall that the only conceivable cost to doing so is that disagreement might result, but in the pivotal case of concern to any player, there are q compatriots announcing the favorite outcome, which means there are no more than $n - 1 - q = q$ opposing announcements. So disagreement is not a possibility.

In the remainder of the paper, then, we concentrate on the case in which a genuine supermajority is called for:

[A.4] $q < (n - 1)/2$.

The following observations describe the structure of response functions in this situation. [A.1]–[A.4] hold throughout.

Observation 2 *A symmetric response u_i is uniquely defined for each u_j , and declines continuously as u_j increases, beginning at some positive finite value when $u_j = 0$, and falling to zero as $u_j \rightarrow \infty$.*

Observation 3 *Consider the point at which type A's response crosses the 45^0 line, or more formally, the value \bar{u} at which $\alpha(\bar{u}, \bar{u}) = 1$. Then type B's best response cutoff to \bar{u} is lower than \bar{u} , strictly so if $p < 1/2$.*

While the detailed computations that support these observations are relegated to the Appendix, a few points are to be noted. First, complete neutrality is never a (robust) best response even when members of the other group are *always* announcing their favorite alternative. The argument for this is closely related to the remarks made in Section 3.2.2 and we shall not repeat them here. On the other hand, “full aggression” — $u = 0$ — is *also* never a best response except in the limiting case as the other side tends to complete neutrality. These properties guarantee that every equilibrium (barring those excluded in Section 3.2.2) employs interior cutoffs.

Observation 3 requires some elaboration. It states that *at the point where the best response of Group A leaves both sides equally aggressive* (so that $u_A = u_B = \bar{u}$), group B's best response leads to greater aggression. The majority takes greater comfort from its greater number, and therefore are more secure about being aggressive. There is less scope for disagreement. However, note the emphasized qualification above. As we shall see later, it will turn out to be important.

Figure 1 provides a graphical representation. Each response function satisfies observation 2, and in addition observation 3 tells us that the response function for B lies above that for A at the 45^0 line. We have therefore established the following proposition.

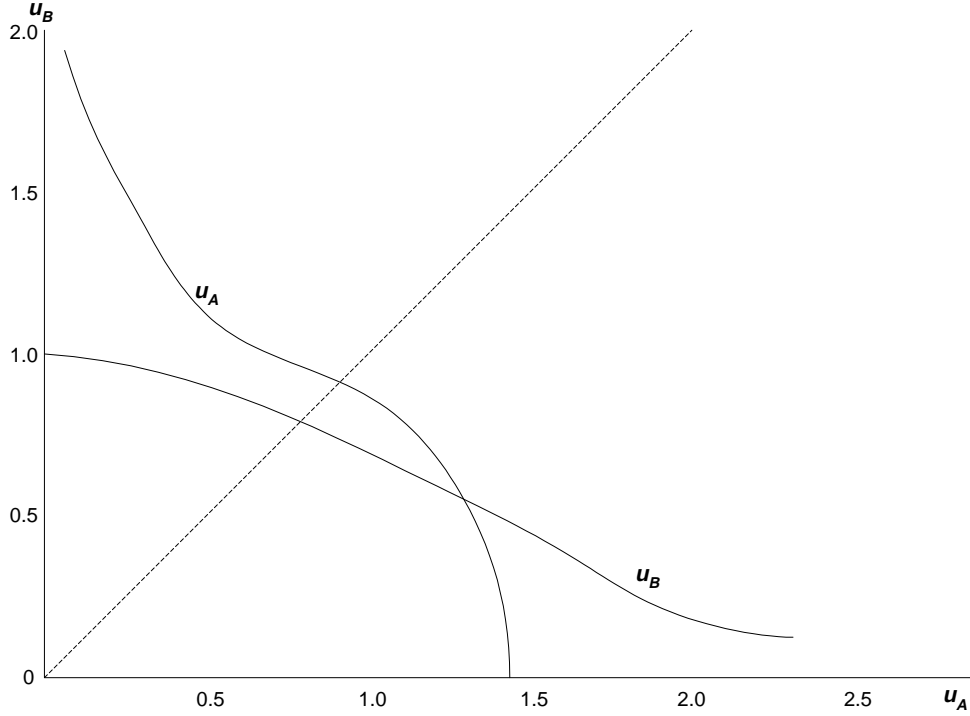


Figure 1: Existence of a Majority Equilibrium

Proposition 1 *An equilibrium exists in which members of the stochastic majority — group B — behave more aggressively than their minority counterparts: $u_B < u_A$.*

Proposition 1 captures an interesting aspect of the “tyranny of the majority”. Not only are the majority greater in number (at least stochastically so in this case), they are also more vocal in expressing their opinion. So group outcomes are doubly shifted — *in this particular equilibrium* — towards the majority view, once through numbers, and once through greater voice.⁴ We will call such an equilibrium a *majority equilibrium*.

⁴Notice that this model has no voting costs so that free-riding is not an issue. Such free-riding is at the heart of the famous Olson paradox (see Olson (1965)), in which small groups may be more effective than their larger counterparts.

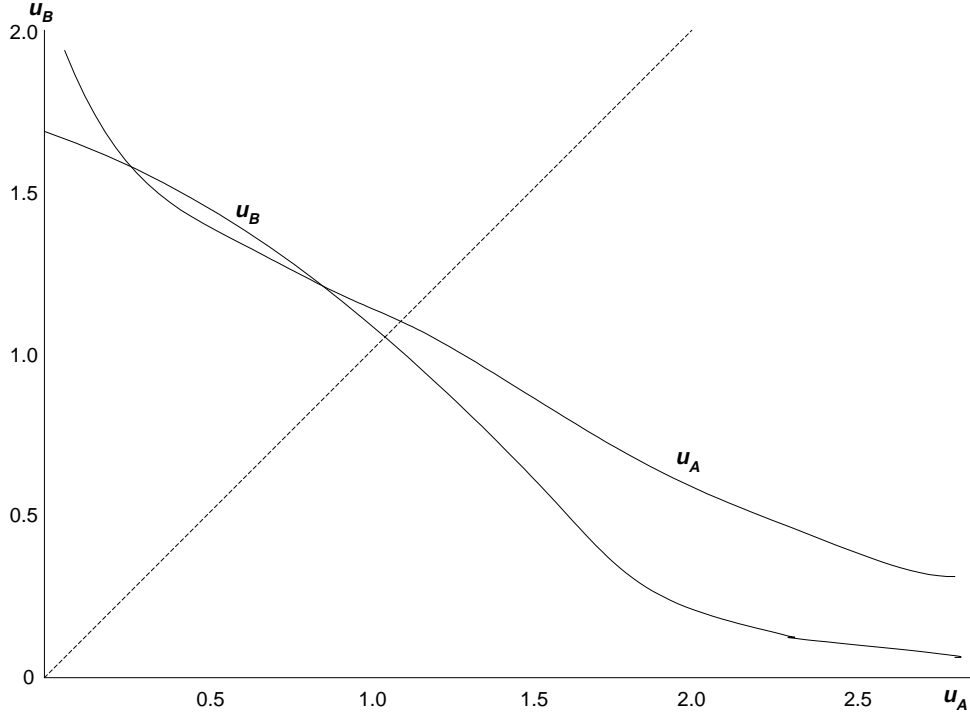


Figure 2: Minority Equilibrium

4 Minority Equilibria

4.1 Existence

Figure 1, which we used in establishing Proposition 1, is drawn from actual computation. We set $n = 4$, $p = 0.4$, $\nu = 1/4$, and chose F to be gamma with parameters (3,4). Under this specification, there is, indeed, a unique equilibrium and (by Proposition 1) it must be the majority equilibrium.

Further experimentation with these parameters leads to an interesting outcome. When n is increased, the response curves appear to “bend back” and intersect yet again, this time above the 45° line (see Figure 2). A *minority equilibrium* (in which $u_A < u_B$, so that the minority are more aggressive) makes its appearance. For this example, it does so when there are 12 players.

The bending-back of response curves to generate a minority equilibrium appeared endemic enough in the computations, that we decided to probe further. To do this, we study large populations in which the ratio of q to n is held fixed at $\nu \in (0, 1/2)$. More precisely, we look at sequences $\{n, q\}$ growing unboundedly large so that q is one of the

(at most) two integers closest to νn . We obtain the following analytical confirmation of the simulations:

Proposition 2 *Assume that $0 < \nu < p \leq 1/2$. Consider any sequence $\{n, q\}$ such that $n \rightarrow \infty$ and q is one of the (at most) two integers closest to νn . Then there exists a finite N such that for all $n \geq N$, a minority equilibrium must exist.*

Several comments are in order. First, if there is a minority equilibrium, there must be at least two of them, because of the end point restrictions implied by Observations 2 and 3. Some of these equilibria will suffer from stability concerns similar to those discussed in Section 3.2.2. But there will always be other minority equilibria that are “robust” in this sense.⁵

Second, it might be felt that the threshold N described in Proposition 2 may be too large for “reasonable” group sizes. Our simulations reveal that this is not true. For instance, within the exponential class of valuation distributions, the threshold at which a minority equilibrium appears is typically around $N = 10$ or thereabouts, which is by no means a large number.

Third, the qualification that $\nu > 0$ is important. The unanimity case, with $q = 0$ is delicate. We return to this issue in Section 6. The case $p \leq \nu$, which we also treat in Section 6, is of interest as well.

Finally, as an aside, note that Proposition 2 covers the symmetric case $p = 1/2$, in which case the content of the proposition is that an asymmetric equilibrium exists (for large n). To be sure, the proposition is far stronger than this assertion, which would only imply (by continuity) that a minority equilibrium exists (with large n) if p is sufficiently close to $1/2$.

We can provide some intuition as to why minority existence is guaranteed for large n but not so for small n . Observe that when n is “small”, there are two sorts of uncertainties that plague any player. She does not know how many people there are of her type, and she is uncertain about the realized distribution of valuations. Both these uncertainties are troublesome in that they may precipitate costly disagreement. The possibility of disagreement is lowered by more and more people adopting a neutral stance, though after a point it will be lowered sufficiently so that it pays individuals to step in and announce their favorite outcome. For a member of the stochastic majority, this point will be reached earlier, and so a majority equilibrium will always exist.

On the other hand, when n is large, these uncertainties go away or at any rate are reduced. Now the expectation that the minority will be aggressive can be credibly self-fulfilling, because the expectation of an aggressive strategy can be more readily transformed into the expectation of a winning outcome.

⁵Once again, this follows from the end-point restrictions.

However, as already discussed in the Introduction, this intuition is not enough. Section 6 has more to say on the matter.

Finally, compare and contrast this finding with the asymmetric equilibria in the Battle of the Sexes. Recall that analogues of those equilibria exist in this model as well, *but they have already been eliminated by the refinement introduced in Section 3.2.2*. The equilibria here, while driven by similar intuitive considerations, are not the same objects (indeed, minority equilibria don't always exist, as noted already). By permitting different and heterogeneous valuations, as well as different group sizes, we obtain a more nuanced description of when the double equilibrium actually comes into being.

4.2 Minorities Win in Minority Equilibrium

In this section we address the distinction between an equilibrium in which one group *behaves* more aggressively, and one in which that group *wins* more often. For instance, in the majority equilibrium the majority fights harder *and* wins more often than the minority does. [It cannot be otherwise, the majority are ahead both in numbers and aggression.] But there is no reason to believe that the same is true of the minority equilibrium. The minority may be more aggressive, but the numbers are not on their side.

However, a remarkable property of this model is that a minority equilibrium *must involve the minority winning with greater probability than the majority*. Provided that a minority equilibrium exists, aggression must compensate for numbers.

Proposition 3 *In a minority equilibrium, the minority outcome is implemented with greater probability than the majority outcome.*

This framework therefore indicates quite clearly how group behavior in a given situation may be swayed both by majority and minority concerns. When the latter occurs, it turns out that we have some kind of “tyranny of the minority”: they are so vocal that they actually swing outcomes (in expectation) to their side.

The proof of this proposition is so simple that we provide it in the main text, in the hope that it will serve as its own intuition.

Proof. Recall (6) and (7) and note that $u_A < u_B$ in a minority equilibrium. It follows right away that $\sum_{k=0}^q \binom{m-1}{k} \pi^k (1-\pi)^{m-1-k} > \sum_{k=0}^q \binom{m-1}{k} \sigma^k (1-\sigma)^{m-1-k}$, so that $\pi < \sigma$. Expanding this inequality, we conclude that $\lambda_B(1-\lambda_B) < \lambda_A(1-\lambda_A)$. Because $\lambda_A < 1/2$, this can only happen in two ways: either $\lambda_B > 1 - \lambda_A$, or $\lambda_B < \lambda_A$. The former case is impossible, because λ_A and λ_B describe mutually exclusive events, so the latter case must obtain. But this implies the truth of the proposition. ■

5 The Probability of Disagreement

In the previous section we established the existence of a minority equilibrium. However, existence was guaranteed only for large n . Hence, for proposition 3 to have bite it must be the case that for large n , the probability of disagreement is bounded away from one. Our next proposition proves exactly that.

Proposition 4 *Assume that $0 < \nu < \frac{1}{2}$. Consider any sequence $\{n, q\}$ such that $n \rightarrow \infty$ and q is one of the (at most) two integers closest to νn . Then the probability of disagreement is bounded away from one.*

The intuition for this result is the following. Suppose that the probability of disagreement is high. Then the probability that each group is blocking the supermajority of its rival is also high. In particular, this means that group cutoffs are not wandering off to infinity. On the other hand, we can see that if group A , for example, is blocking group B , then the latter will be discouraged from making a B announcement. Doing so will most likely lead to disagreement, while casting a neutral vote ensures an agreement on A . This argument makes for high cutoffs, a contradiction to the bounded group cutoffs that were asserted earlier in this paragraph.

In part, the formalization of the above intuition is easy, but the simultaneous movements in population size and cutoffs necessitate a subtle argument. In particular, the last implication — that cutoffs become large with population size — rests on arguments regarding *rates* of change as a function of population. The reader is referred to the formal proof for details.

What allows individuals to agree, even when there are great many of them, is the option to remain neutral. This can be seen if we analyze a restricted version of our model in which individuals have only two options: A or B . We carry out this analysis in Section 6.1. There, we show that Proposition 4 ceases to hold.

Finally, note that the case of unanimity is *not* covered by Proposition 4. Just like the counterpart of Proposition 3 involving unanimity, this question remains open.

6 Extensions

6.1 No Neutrality

In our opinion, when faced with impending disagreement, the option of a neutral stance is very natural. This is why we adopted this specification in our basic model. [As discussed already, neutrality is not to be literally interpreted as a formal announcement.] Nevertheless, it would be useful to see if the insights of the exercise are broadly preserved if announcements are restricted to be either A or B .

We can quickly sketch such a model. An individual is now pivotal under two circumstances. In the first event, the number of people announcing her favorite outcome is exactly q , which we assume to be less than $(n-1)/2$.⁶ By announcing her favorite, then, disagreement is the outcome, while an announcement of the other alternative would lead to that alternative being implemented. The loss, then, from voting one's favorite in this event is precisely v' (recall that the disagreement payoff is normalized to zero). In the second event, the number of people announcing the alternative is exactly q . By announcing her favorite, she guarantees its implementation, while the other announcement would lead to disagreement. So the gain from voting one's favorite in this event is v . Consequently, an individual will announce her favorite if

$$\Pr(\text{exactly } q \text{ others vote for alternative})v \geq \Pr(\text{exactly } q \text{ others vote for favorite})v'.$$

Define $w \equiv v/v'$. Then equilibrium cutoffs w_A and w_B are given by the conditions

$$w_A \Pr(|B| = q) \geq \Pr(|A| = q) \quad (8)$$

and

$$w_B \Pr(|A| = q) \geq \Pr(|B| = q) \quad (9)$$

where $|A|$ and $|B|$ stand for the number of A - and B -announcements out of $n-1$ individuals, and where equality must hold in each of the conditions provided the corresponding cutoff strictly exceeds 1, which is the lower bound for these variables.

In this variation of the model, it is obvious that at least one group must be "fully aggressive" (i.e., its cutoff must equal one).⁷ Moreover, as long as we are in the case $q < (n-1)/2$, *both* groups cannot *simultaneously* be "fully aggressive": one of the cutoffs must strictly exceed unity.

So, in contrast to our model, in which all (robust) equilibria are fully interior, the equilibria here are at "corners" (full aggression on one side, full acquiescence on the other) or "semi-corners" (full aggression on one side, interior cutoffs on the other). The semi-corner equilibria are always robust in the sense of Section 3.2.2, and we focus on these in what follows.⁸

In particular, to examine possible minority equilibria, set $w_A = 1$. Then use the equality version of (9) to assert that

$$w_B = \left(\frac{p + (1-p)H(w_B)}{(1-p)[1-H(w_B)]} \right)^{n-1-2q} \quad (10)$$

⁶The case $q = (n-1)/2$ is exactly the same as in Observation 1 for the main model. No matter what the valuations are, each individual will announce her favorite outcome.

⁷Simply examine (8) and (9) and note that both right-hand sides cannot strictly exceed one.

⁸In contrast to our setup, the "full corner" equilibria may or may not be robust. We omit the details of this discussion.

in any such equilibrium, where H is the (assumed atomless) cdf of w , distributed on its full support $[1, \infty)$.

It is easy to use (10) to deduce

Observation 4 [1] *A semi-corner minority equilibrium exists if (n, q) are sufficiently large. [2] In any minority equilibrium, the minority outcome is implemented with greater probability than the majority outcome.*

So the broad contours of our model can be replicated in this special case. This is reassuring, because it reassures us of the robustness of the results. At the same time this variation allows us to highlight the main implication of allowing voters to remain neutral: absent neutrality voters may be locked into situations in which they are almost certain to disagree. This is formalized in the next result.

Observation 5 *Assume $0 < \nu < p < \frac{1}{2}$. Consider any sequence $\{n, q\}$ such that $n \rightarrow \infty$ and q is one of the two integers closest to νn . Then there exists a sequence of semi-corner minority equilibria for which the probability of disagreement converges to one.*

The above result demonstrates the importance of being neutral: neutrality allows the players to avoid disagreement. Recall that Proposition 4 establishes that with neutrality, the probability of disagreement at every interior equilibrium is bounded away from one. Once the option of neutrality is taken away, the probability that players reach a disagreement (at any interior equilibrium) must go to one along some sequence of minority equilibria.

6.2 Supermajority Requirements and Minority Equilibrium

Up to this point we have focused on group size as a determinant of the existence of minority equilibria. A related question is whether existence is affected by variations in the supermajority rule.

Common intuition suggests that a higher supermajority requirement facilitates the emergence of a minority equilibrium. Indeed, the comparative politics literature compares different political systems and motivates what has been termed “consensus systems” (Lijphart (1999)) by the desire to protect minorities from the tyranny of the majority.

Our model allows us to investigate the hypothesis discussed above. We have already shown that when the supermajority is relatively high (i.e., $\frac{m}{n} > 1 - p$), the existence of minority equilibria is guaranteed for large n . The question is, whether the minority can get its way when the supermajority requirement is relaxed. This is the subject of our next proposition.

Proposition 5 *Assume that $0 < p < \nu < \frac{1}{2}$. Consider any sequence $\{n, q\}$ such that $n \rightarrow \infty$ and q is one of the (at most) two integers closest to νn . Then there exists a finite N such that for all $n \geq N$, a minority equilibrium does not exist.*

Taken together, Propositions 2 and 5 may suggest a monotonic relation between the supermajority requirement and the “power” of the minority. However, it is not clear whether this is true in our model. To see why, consider an individual of type A and her best response condition. Holding B ’s cutoff fixed, as q decreases, A ’s cutoff increases, i.e., the group fights less aggressively. This follows from the fact that as q decreases, the probability, that the B -types would block A from being chosen, increases. Because the above effect of lowering q applies to both groups, it is not clear which group benefits from this change.

To demonstrate the ambiguous effect of lowering q consider the following example: let $n = 1,000$ (in light of Proposition 3 we intentionally pick a large n), $p = 0.4$ and consider the distribution function $F(u) = 1 - \frac{1}{\sqrt{\ln(u+e)}}$. For $q = 300$ there exists a minority equilibrium $u_A \simeq 1.35$ and $u_B \simeq 80$. However, for $q = 10$ there exists no minority equilibrium.

The above example seems to suggest that for some distribution functions a minority equilibrium may not exist when the supermajority requirement is close to unanimity.

Conjecture 1 *Suppose $m = n$. There exists a family of distribution functions for which a minority equilibrium does not exist for any n .*

6.3 Known Group Size

In this section we comment on the implications of uncertainty regarding the size of one’s group. For this purpose, we modify our model by assuming that it is common knowledge that there are n_A individuals of type A and $n_B > n_A$ individuals of type B . We retain all our other assumptions.

The first observation we make is that our arguments in Section 3.2.2 do not apply to this new model. To see why, consider the case when all B types are voting for B , whereas only extreme A -types are voting for A . When an A -type knows exactly how many B -types there are, he realizes that he can only create a disagreement by voting for A . Therefore, when group sizes are known, the two corner equilibria are robust (in the sense of Section 3.2.2). This suggests that the corner equilibria are unnatural in the following sense: when faced with some uncertainty about group sizes, some individuals may still put up a fight.

Our second observation relates to the importance of group size in the emergence of minority equilibria. Potentially, the existence of minority equilibria in our original model may be due to two types of uncertainties that are relaxed in large groups. First, as the number of individuals in the group increases, voters have a more accurate estimate of the proportion of their types in the group. Second, as the population increases, each individual has a better picture of the distribution of intensities among his compatriots.

What if group sizes are known? Then it can easily be shown that the equilibrium cutoff for one type depend only on the equilibrium cutoff of the other type. More precisely, an equilibrium (u_A, u_B) satisfies the following equations,

$$\begin{aligned} (1 + u_A) \sum_{k=0}^q \binom{n_B}{k} (F(u_B))^{n_B-k} (1 - F(u_B))^k &= 1 \\ (1 + u_B) \sum_{k=0}^q \binom{n_A}{k} (F(u_A))^{n_A-k} (1 - F(u_A))^k &= 1 \end{aligned}$$

where $n_A < n_B$ are the number of individuals of type A and B respectively.

It is straightforward to construct examples in which there does not exist a minority equilibrium for small n_A and n_B . For instance, take $F(u) = 1 - \frac{1}{\sqrt{\ln(u+e)}}$, $n_A = 2$, $n_B = 3$ and $q = 1$. For these values there exists a unique interior majority equilibrium, $u_A \approx 250$ and $u_B \approx 0.22$. However, using arguments similar to those employed in Proposition 2 and 4, one can show that for large n a minority equilibrium exists and the probability of disagreement is bounded away from one. By simple stochastic dominance arguments, it can be shown that in any minority equilibrium the minority wins more often.

We conclude that certainty regarding the numbers of A and B types is not sufficient to generate a minority equilibrium; even when the numbers of A and B types are known, we still need n to be sufficiently large for the minority to prevail.

6.4 Types who prefer disagreement to the rival alternative

Suppose there exist types who rank disagreement above their second best alternative. Clearly, voting for the preferred alternative is weakly dominant for these types. Hence, in any interior equilibrium these individuals would vote their type. In this sense, incorporating these voters into our model is equivalent to adding aggregate noise. We believe that if the proportion of such types is sufficiently low, all of our results continue to hold.

7 Summary

We study a model of group decision-making in which one of two alternatives must be chosen. While group members differ in their valuations of the alternatives, everybody prefers some alternative to disagreement.

We uncover a variant on the ‘‘tyranny of the majority’’: there is always an equilibrium in which the majority is more aggressive in pushing its alternative, thus enforcing their will via both numbers and voice. However, under very general conditions an aggressive minority equilibrium inevitably makes an appearance, provided that the group is large

enough. This equilibrium displays a “tyranny of the minority”: it is always true that the increased aggression of the minority more than compensates for smaller number, leading to the minority outcome being implemented with larger probability than the majority alternative.

These equilibria are not to be confused with “corner” outcomes in which a simple failure of coordination allows any one group to be fully aggressive and another to be completely timid, without regard to group size. Indeed, one innovation of this paper is to show how such equilibria are entirely non-robust when confronted with varying intensities of valuations, and some amount of uncertainty regarding such valuations. [In fact, as we emphasize in the paper, minority equilibria don’t always exist, in sharp contrast to the non-robust corner equilibria, which always do.]

Apart from uncertainty and varying valuation intensities, the option for a player to remain neutral plays a crucial role in this paper. In all cases, the neutrality option ensures that the probability of disagreement is bounded away from one (as group size changes), regardless of the supermajority value needed for agreement, as long as it is not unanimity. Apart from being of some intrinsic interest, this proposition also shows that the “minority wins” result does not occur in unimportant contexts in which there is widespread disagreement anyway.

8 Appendix

Proof of Observation 2. For concreteness, set $i = A$ and $j = B$. Fix any $u_B \in [0, \infty)$. Recall that

$$\pi = \frac{\lambda_B}{1 - \lambda_A} = \frac{(1 - p)[1 - F(u_B)]}{1 - p[1 - F(u_A)]},$$

so that π is continuous in u_A , with $\pi \rightarrow 1 - F(u_B)$ as $u_A \rightarrow 0$, and $\pi \rightarrow (1 - p)[1 - F(u_B)]$ as $u_A \rightarrow \infty$. Consequently, recalling (6) and noting that $q < (n - 1)/2$, we see that $\alpha(u_A, u_B)$ converges to a number strictly less than one as $u_A \rightarrow 0$, while it becomes unboundedly large as $u_A \rightarrow \infty$. By continuity, then, there exists some u_A such that $\alpha(u_A, u_B) = 1$, establishing the existence of a cutoff.

To show uniqueness, it suffices to verify that α is strictly increasing in u_A . Because the expression $\sum_{k=0}^q \binom{m-1}{k} \pi^k (1 - \pi)^{m-1-k}$ must be decreasing in π , it will suffice to show that π itself is declining in u_A , which is a matter of simple inspection.

To show that the response u_A strictly decreases in u_B , it will therefore be enough to establish that α is also increasing in u_B . Just as in the previous paragraph, we do this by showing that π is decreasing in u_B , which again is a matter of elementary inspection.

Finally, we observe that $u_A \downarrow 0$ as $u_B \uparrow \infty$. Note that along such a sequence, $\pi \rightarrow 0$ regardless of the behavior of u_A . Consequently, $\sum_{k=0}^q \binom{m-1}{k} \pi^k (1 - \pi)^{m-1-k}$ converges to 1 as $u_B \uparrow \infty$. To maintain the equality (6), therefore, it must be the case that $u_A \downarrow 0$.

Of course, all these arguments hold if we switch A and B . ■

Proof of Observation 3. Let \bar{u} be defined as in the statement of this Observation. Define $\bar{\lambda}_A \equiv p[1 - F(\bar{u})]$ and $\bar{\lambda}_B \equiv (1 - p)[1 - F(\bar{u})]$. Then

$$(1 + \bar{u}) \sum_{k=0}^q \binom{m-1}{k} \bar{\pi}^k (1 - \bar{\pi})^{m-1-k} = 1, \quad (11)$$

where $\bar{\pi} \equiv \bar{\lambda}_B / (1 - \bar{\lambda}_A)$. Now recall that σ in (7) is defined by $\sigma = \frac{\lambda_A}{1 - \lambda_B}$, so that if we consider the corresponding value $\bar{\sigma}$ defined by setting $u_A = u_B = \bar{u}$, we see that

$$\bar{\sigma} \leq \bar{\pi} \text{ if and only if } \bar{\lambda}_A(1 - \bar{\lambda}_A) \leq \bar{\lambda}_B(1 - \bar{\lambda}_B).$$

But $\lambda_A \leq 1/2$ (because $p \leq 1/2$), so that the second inequality above holds if and only if $\bar{\lambda}_A \leq \bar{\lambda}_B$, and this last condition follows simply from the fact that $p \leq 1/2$.

So we have established that $\bar{\sigma} \leq \bar{\pi}$. It follows that

$$\sum_{k=0}^q \binom{m-1}{k} \bar{\pi}^k (1 - \bar{\pi})^{m-1-k} \leq \sum_{k=0}^q \binom{m-1}{k} \bar{\sigma}^k (1 - \bar{\sigma})^{m-1-k}$$

and using this information in (11), we must conclude that

$$\beta(\bar{u}, \bar{u}) = (1 + \bar{u}) \sum_{k=0}^q \binom{m-1}{k} \bar{\sigma}^k (1 - \bar{\sigma})^{m-1-k} \geq 1, \quad (12)$$

Recalling that β is increasing in its first argument (see proof of Observation 2), it follows from (12) that type B 's best response to \bar{u} is no bigger than \bar{u} .

Finally, observe that all these arguments apply with strict inequality when $p < 1/2$. ■

Proof of Proposition 1. For each $u_B \geq 0$, define $\phi(u_B)$ by composing best responses: $\phi(u_B)$ is B 's best response to A 's best response to u_B . By Observation 2, we see that A 's best response is a positive, finite value when $u_B = 0$, and therefore so is B 's response to this response. Consequently, $\phi(0) > 0$. On the other hand, A 's best response is precisely \bar{u} when $u_B = \bar{u}$, and by Observation 3 we must conclude that $\phi(\bar{u}) < \bar{u}$. Because ϕ is continuous (Observation 2 again), there is $u_B^* \in (0, \bar{u})$ such that $\phi(u_B^*) = u_B^*$. Let u_A^* be type A 's best response to u_B^* . Then it is obvious that (u_A^*, u_B^*) is an equilibrium. Because $u_B^* < \bar{u}$, we see from Observation 2 that $u_A^* > \bar{u}$. We have therefore found a majority equilibrium. ■

Proof of Proposition 2. Consider any sequence $\{n, q\}$ as described in the statement of the proposition. Because $p > \nu$, there exists a cutoff $\bar{u}_A > 0$ and a finite n^* such that for all $n \geq n^*$,

$$\bar{\lambda}_A \equiv p[1 - F(\bar{u}_A)] > \frac{q}{n-1} \simeq \nu. \quad (13)$$

Note that there is also an associated sequence $\{m\}$ defined by $m \equiv n - q$.

We break the proof up into several steps.

Step 1. We claim that there exists an integer M such that for each $m \geq M$ there is $u_B^m < \infty$ that solves the following equation:

$$\sum_{k=0}^q \binom{m-1}{k} (\pi_m)^k (1 - \pi_m)^{m-1-k} = \frac{1}{1 + \bar{u}_A} \quad (14)$$

where

$$\pi_m \equiv \frac{\lambda_B^m}{1 - \bar{\lambda}_A}$$

and

$$\lambda_B^m \equiv (1 - p) [1 - F(u_B^m)].$$

We prove this claim. Note that for all $n \geq n^*$, $1 - p \geq p > q/(n - 1)$, so that

$$\bar{\pi} \equiv \frac{(1 - p)(n - 1)}{m - 1} > \frac{q}{m - 1} \simeq \frac{\nu}{1 - \nu}$$

for all $n \geq n^*$. Consequently, by the Strong Law of Large Numbers (SLLN),

$$\sum_{k=0}^q \binom{m-1}{k} \bar{\pi}^k (1 - \bar{\pi})^{m-1-k} \rightarrow 0$$

as m and q grow to infinity. It follows that there exists M such that for all $m \geq M$ (and associated q),

$$\sum_{k=0}^q \binom{m-1}{k} \bar{\pi}^k (1 - \bar{\pi})^{m-1-k} < \frac{1}{1 + \bar{u}_A}. \quad (15)$$

For such m , provisionally consider $u_B^m = 0$. Then

$$\frac{\lambda_B^m}{1 - \bar{\lambda}_A} = \frac{1 - p}{1 - p [1 - F(\bar{u}_A)]},$$

and using this in (13), we conclude that

$$\pi_m = \frac{\lambda_B^m}{1 - \bar{\lambda}_A} = \frac{1 - p}{1 - p [1 - F(\bar{u}_A)]} > \frac{(1 - p)(n - 1)}{m - 1} = \bar{\pi}.$$

Combining this information with (15), we see that if $u_B^m = 0$, then

$$\sum_{k=0}^q \binom{m-1}{k} \pi_m^k (1 - \pi_m)^{m-1-k} < \frac{1}{1 + \bar{u}_A}. \quad (16)$$

Next, observe that if u_B^m is chosen very large, then λ_B^m and consequently π_m are both close to zero, so that $\sum_{k=0}^q \binom{m-1}{k} \pi_m^k (1 - \pi_m)^{m-1-k}$ is close to unity. It follows that for such u_B^m ,

$$\sum_{k=0}^q \binom{m-1}{k} \pi_m^k (1 - \pi_m)^{m-1-k} > \frac{1}{1 + \bar{u}_A}. \quad (17)$$

Combining (16) and (17) and noting that the LHS of (14) is continuous in u_B^m , it follows that for all $m \geq M$ there exists $0 < u_B^m < \infty$ such that the claim is true.

Step 2. One implication of (14) in Step 1 is the following assertion: as $(m, q) \rightarrow \infty$,

$$\pi_m \rightarrow \nu/(1 - \nu) \in (0, 1), \text{ and in particular, } u_B^m \text{ is bounded.} \quad (18)$$

To see why, note that $\frac{1}{1 + \bar{u}_A} \in (0, 1)$. Using (14) and SLLN, it must be that $\pi_m \rightarrow \nu/(1 - \nu) \in (0, 1)$ as $(m, q) \rightarrow \infty$. Recalling the definition of π_m it follows right away that u_B^m must be bounded.

Step 3. Next, we claim there exists an integer M^* such that

$$\text{For all } m \geq M^*, u_B^m > \bar{u}_A. \quad (19)$$

To establish this claim, note first, using (13), that

$$p[1 - F(\bar{u}_A)] > \frac{q}{n - 1} = \frac{\frac{q}{m-1}}{1 + \frac{q}{m-1}} \geq \frac{\frac{q}{m-1}}{\frac{1-p}{p} + \frac{q}{m-1}}$$

where the last inequality follows from the assumption that $p \in (0, \frac{1}{2}]$, so that $\frac{1-p}{p} \geq 1$. A simple rearrangement of this inequality shows that

$$\frac{(1-p)[1 - F(\bar{u}_A)]}{1 - p[1 - F(\bar{u}_A)]} > \frac{q}{m-1} \simeq \frac{\nu}{1 - \nu} \quad (20)$$

Now suppose, contrary to the claim, that $u_B^m \leq \bar{u}_A$ along some subsequence of m . Then on that subsequence,

$$\pi_m = \frac{\lambda_B^m}{1 - \bar{\lambda}_A} = \frac{(1-p)[1 - F(u_B^m)]}{1 - p[1 - F(\bar{u}_A)]} \geq \frac{(1-p)[1 - F(\bar{u}_A)]}{1 - p[1 - F(\bar{u}_A)]} \quad (21)$$

Combining (20) and (21), we may conclude that along the subsequence of m for which $u_B^m \leq \bar{u}_A$,

$$\inf_m \pi_m > \frac{\nu}{1 - \nu},$$

which contradicts (18) of Step 2.

To prepare for the next step, let \hat{u}_B^m denote the best response of the B -types to $u_A = \bar{u}_A$. That is,

$$\frac{1}{1 + \hat{u}_B^m} = \sum_{k=0}^q \binom{m-1}{k} \sigma_m^k (1 - \sigma_m)^{m-1-k}, \quad (22)$$

where

$$\sigma_m \equiv \frac{\bar{\lambda}_A}{1 - \hat{\lambda}_B^m}$$

and

$$\hat{\lambda}_B^m \equiv (1 - p) [1 - F(\hat{u}_B^m)]$$

Step 4. There is an integer M^{**} such that for all $m \geq M^{**}$, $\hat{u}_B^m > u_B^m$.

To prove this claim, suppose on the contrary that $\hat{u}_B^m \leq u_B^m$ along some subsequence of m . [All references that follow are to this subsequence.] Then

$$\sigma_m = \frac{\bar{\lambda}_A}{1 - \hat{\lambda}_B^m} = \frac{p [1 - F(\bar{u}_A)]}{1 - (1 - p) [1 - F(\hat{u}_B^m)]} \geq \frac{p [1 - F(\bar{u}_A)]}{1 - (1 - p) [1 - F(u_B^m)]} = \frac{\bar{\lambda}_A}{1 - \lambda_B^m}. \quad (23)$$

Recall from (18), Step 2, that $\frac{\lambda_B^m}{1 - \lambda_A} \rightarrow \frac{\nu}{1 - \nu}$. Therefore $\lambda_B^m \rightarrow \bar{\lambda}_B$, where $\bar{\lambda}_B \equiv \frac{\nu}{1 - \nu} (1 - \bar{\lambda}_A)$. Recall from (13) that $\bar{\lambda}_A > \nu$, so that $\bar{\lambda}_B < \nu$ and in particular $\bar{\lambda}_B < \bar{\lambda}_A$. Because $p \leq 1/2$, so is λ_A , and these last assertions permit us to conclude that $\bar{\lambda}_A (1 - \bar{\lambda}_A) > \bar{\lambda}_B (1 - \bar{\lambda}_B)$, or equivalently, that

$$\frac{\bar{\lambda}_A}{1 - \bar{\lambda}_B} > \frac{\bar{\lambda}_B}{1 - \bar{\lambda}_A}.$$

Using this information in (23) and recalling that $\lambda_B^m \rightarrow \bar{\lambda}_B$, we may conclude that

$$\liminf_{m \rightarrow \infty} \sigma_m \geq \frac{\bar{\lambda}_A}{1 - \bar{\lambda}_B} > \frac{\bar{\lambda}_B}{1 - \bar{\lambda}_A} = \frac{\nu}{1 - \nu},$$

where the last equality is from (18). It follows from (22) that $\hat{u}_B^m \rightarrow \infty$. But this contradicts our supposition that $\hat{u}_B^m \leq u_B^m$ (that along a subsequence) because the latter is bounded; see (18) of Step 2.

To complete the proof of the proposition, define, for each $m \geq M^{**}$ and each $u_A \in (0, \bar{u}_A]$, $\psi^m(u_A)$ as the *difference* between B 's best response to u_A and the value of u_B to which u_A is a best response. By Step 1 and Observation 2, ψ^m is well-defined and continuous on this interval. Using Observation 2 yet again, it is easy to see that (for each m) $\psi^m(u_A) < 0$ for small values of u_A , while Step 4 assures us that $\psi^m(\bar{u}_A) > 0$. Therefore for each m , there is $\tilde{u}_A^m \in (0, \bar{u}_A)$ such that $\psi^m(\tilde{u}_A^m) = 0$. If we define \tilde{u}_B^m to be the best response to \tilde{u}_A^m , it is trivial to see that $(\tilde{u}_A^m, \tilde{u}_B^m)$ constitutes an equilibrium.

Finally, note that

$$\tilde{u}_A^m < \bar{u}_A < u_B^m < \hat{u}_B^m < \tilde{u}_B^m,$$

where the second inequality follows from Step 3, the third inequality from Step 4, and the last inequality from the fact that the best response function is decreasing (Observation 1). This means that $(\tilde{u}_A^m, \tilde{u}_B^m)$ is a minority equilibrium. ■

Proof of Proposition 4. Assume that $q < \frac{n-1}{2}$ (When $q = \frac{n-1}{2}$ the probability of disagreement is zero). Note that the probability of disagreement is equal to $\Pr(|A| > q, |B| > q)$, where $|\cdot|$ stands for cardinality. Because

$$\Pr(|A| > q, |B| > q) \leq \min\{\Pr(|A| > q), \Pr(|B| > q)\},$$

it suffices to show that $\Pr(A > q)$ and $\Pr(B > q)$ cannot both converge to one along some subsequence of n .

Suppose, on the contrary, that $\Pr(A > q) = 1$ and $\Pr(B > q) = 1$ does converge to one along some subsequence of n (retain notation). The proof proceeds in two steps. In the first step we show that for large n both λ_A and λ_B are strictly above ν . Moreover, if either λ_A or λ_B converges to ν , then it converges at a rate slower than $\frac{1}{\sqrt{n}}$. In the second step we show that this implies that the equilibrium cutoffs, u_A and u_B , must be growing to infinity, in contradiction to step 1.

Step 1. $\lim_{n \rightarrow \infty} \frac{(\lambda_A - \nu)\sqrt{n}}{\sqrt{\lambda_A(1 - \lambda_A)}} = \infty$ and $\lim_{n \rightarrow \infty} \frac{(\lambda_B - \nu)\sqrt{n}}{\sqrt{\lambda_B(1 - \lambda_B)}} = \infty$.

We prove $\lim_{n \rightarrow \infty} \frac{|\lambda_A - \nu|\sqrt{n}}{\sqrt{\lambda_A(1 - \lambda_A)}} = \infty$; similar arguments hold for λ_B .

Assume to the contrary that there exists a subsequence for which $\lim_{n \rightarrow \infty} \frac{(\lambda_A^{k_n} - \nu)\sqrt{n}}{\sqrt{\lambda_A(1 - \lambda_A)}} = c$, where $-\infty \leq c < \infty$.

Let X_n denote the number of A announcements (i.e., $|A|$). By the Berry-Esséen Theorem (see, for example, Feller (1986, Chapter XVI.5, Theorem 1)), for some $\varepsilon < \Phi(-c)$, there exists an N such that for $n > N$

$$\Pr(X_n > q) = \Pr\left(\frac{X_n - n\lambda_A^{k_n}}{\sqrt{n\lambda_A^{k_n}(1 - \lambda_A^{k_n})}} > \frac{-(\lambda_A^{k_n} - \nu)\sqrt{n}}{\sqrt{\lambda_A^{k_n}(1 - \lambda_A^{k_n})}}\right) < 1 - \Phi(-c) + \varepsilon < 1$$

and this contradicts our premise that $\lim_{n \rightarrow \infty} \Pr(|A| > q) = 1$.

Recalling that $\pi = \frac{\lambda_B}{1 - \lambda_A}$ and $\sigma = \frac{\lambda_A}{1 - \lambda_B}$, it follows from step 1 that $\lim_{n \rightarrow \infty} \frac{(\pi - \frac{\nu}{1 - \nu})\sqrt{n}}{\sqrt{\pi(1 - \pi)}} = \infty$ and $\lim_{n \rightarrow \infty} \frac{(\sigma - \frac{\nu}{1 - \nu})\sqrt{n}}{\sqrt{\sigma(1 - \sigma)}} = \infty$.

Step 2. If $\lim_{m \rightarrow \infty} \frac{(\pi - \frac{\nu}{1-\nu})\sqrt{m-1}}{\sqrt{\pi(1-\pi)}} = \infty$ and $\lim_{m \rightarrow \infty} \frac{(\sigma - \frac{\nu}{1-\nu})\sqrt{m-1}}{\sqrt{\sigma(1-\sigma)}} = \infty$, then $u_A \rightarrow \infty$ and $u_B \rightarrow \infty$.

As in step 1 we provide a proof for u_A and similar arguments follow for u_B .

Let Y_n be the sum of successes from a binomial distribution with probability of success π and with $m-1$ draws. Then

$$\begin{aligned} \sum_{k=0}^q \binom{m-1}{k} \pi^k (1-\pi)^{m-1-k} &= \Pr(Y_n \leq q) \leq \Pr(|Y_n - (m-1)\pi| \geq (m-1)\pi - q) \\ &< \frac{\text{Var}(Y_n)}{((m-1)\pi - q)^2} = \frac{1}{\left(\frac{(\pi - \frac{q}{m-1})\sqrt{m-1}}{\sqrt{\pi(1-\pi)}}\right)^2} \rightarrow 0, \end{aligned}$$

where the last inequality is by Chebyshev's inequality and the limit follows from the premise. Therefore, by (6) it must be that $u_A \rightarrow \infty$. This implies that $\lambda_A \rightarrow 0$, in contradiction to step 1. ■

Proof of Observation 4. To prove part [1], define $\delta \equiv 1/(n-1-2q)$, and rewrite (9) as

$$(1 + w_B^\delta)[1 - H(w_B)] = 1/(1-p). \quad (24)$$

Notice that when $w_B = 1$, the LHS of (24) equals 2, while the RHS is strictly smaller than 2 (because $p < 1/2$).

Now suppose that there is some w such that the LHS of (24), evaluated at $w_B = w$, is strictly less than $1/(1-p)$. In this case, consider some intersection $x = w_B$ of the function $(1 + x^\delta)[1 - H(x)]$ with the value $1/(1-p)$, along with the value $w_A = 1$. It can be verified that such an intersection constitutes a semi-corner minority equilibrium.

It remains to show that the condition in the first line in the previous paragraph is satisfied for all (n, q) large enough. To this end, fix some w such that $1 - H(w) < 1/2(1-p)$. Now take (n, q) to infinity and notice that $\delta \rightarrow 0$. Therefore w^δ converges to 1. It follows that for large (n, q) ,

$$(1 + w^\delta)[1 - H(w)] < 1/(1-p),$$

and we are done.

Note that part [2] is trivially true for corner minority equilibria. To prove part [2] for semi-corners, note that the probability that the minority outcome is implemented is given by

$$\Pr(|A| \geq m) = \sum_{k=m}^n \binom{n}{k} [p + (1-p)H(w_B)]^k [(1-p)(1-H(w_B))]^{n-k}$$

Similarly,

$$\Pr(|B| \geq m) = \sum_{k=m}^n \binom{n}{m} [(1-p)(1-H(w_B))]^k [p + (1-p)H(w_B)]^{n-k}$$

Thus, $\Pr(|A| \geq m) > \Pr(|B| \geq m)$ if and only if $(1-p)(1-H(w_B)) < p + (1-p)H(w_B)$, which may be rewritten as

$$\frac{1}{2(1-p)} > 1 - H(w_B) \quad (25)$$

Now (24) tells us that

$$1 - H(w_B) = \frac{1}{(1-p)(1+w_B^\delta)}$$

where $w_B > 1$. Hence, $(1-p)(1+w_B^\delta) > 2(1-p)$, which implies (25). ■

Proof of Observation 5. Let w_B^* be the solution to the following equation:

$$p + (1-p)H(w_B^*) = (1-p)[1 - H(w_B^*)]$$

Notice that w_B^* is well-defined and greater than 1, as long as $p < 1/2$. We now proceed in two steps.

Step 1. There exists a sequence of semi-corner minority equilibria that converges to $(1, w_B^*)$. To see this, note that when $w_B = w_B^*$ the RHS of (10) is smaller than the LHS.

For any $\varepsilon > 0$, set $w_B = w_B^* + \varepsilon$. Because $\frac{p+(1-p)H(w_B^*+\varepsilon)}{(1-p)[1-H(w_B^*+\varepsilon)]} > 1$, there exists $N(\varepsilon) < \infty$ such that for all $n \geq N(\varepsilon)$, the LHS of (10) is strictly greater than its RHS. It follows that for all $n \geq N(\varepsilon)$, there exists an equilibrium $(1, w_B^n)$ where $w_B^n \in (w_B^*, w_B^* + \varepsilon)$.

Step 2. By Step 1, as $n \rightarrow \infty$, the probabilities with which a random voter votes for A or for B (along the above sequence of semi-corner minority equilibria) both converge to $1/2$. In particular, there exists an N above which these probabilities are bounded below by $\bar{\nu} > \nu$ and above by $1 - \bar{\nu}$. The probability of disagreement is equal to $1 - \Pr(|A| \geq m) - \Pr(|B| \geq m)$. We now show that $\Pr(|A| \geq m)$ goes to zero as $n \rightarrow \infty$. By essentially the same argument, $\Pr(|B| \geq m)$ also goes to zero as $n \rightarrow \infty$.

Recall that

$$\Pr(|A| \geq m) = \sum_{k=m}^n \binom{n}{m} [p + (1-p)H(w_B)]^k [(1-p)(1-H(w_B))]^{n-k}$$

Note that $|\frac{m}{n} - (1 - \nu)| < \frac{1}{n}$. Because $1 - \bar{\nu} < 1 - \nu$ it follows that for large enough n ,

$$1 - \bar{\nu} < \frac{m}{n} - \eta \quad (26)$$

for some $\eta > 0$. By stochastic dominance,

$$\Pr(|A| \geq m) \leq \sum_{k=m}^n \binom{n}{k} (1 - \bar{\nu})^k (\bar{\nu})^{n-k} \quad (27)$$

By inequality (26) and the SLLN, the RHS of (27) goes to zero. ■

Proof of Proposition 5. Suppose on the contrary that a minority equilibrium (u_A^n, u_B^n) exists along some subsequence of n (all references that follow are to this subsequence). Then $\lim_{n \rightarrow \infty} (u_A^n, u_B^n)$ is either (∞, ∞) , $(0, \infty)$ or a pair of strictly positive but finite numbers (u_A^*, u_B^*) . To prove that our supposition is wrong, we show that none of these limits can apply.

Assume $(u_A^n, u_B^n) \rightarrow (\infty, \infty)$. Then $\lambda_A^n \rightarrow 0$ and $\lambda_B^n \rightarrow 0$. This implies that $\pi^n \rightarrow 0$ and $\sigma^n \rightarrow 0$. But this implies, by equations (6) and (7) and using SLLN, that $(u_A^n, u_B^n) \rightarrow (0, 0)$, a contradiction.

Assume $(u_A^n, u_B^n) \rightarrow (0, \infty)$. Then $\lambda_A^n \rightarrow p$ and $\lambda_B^n \rightarrow 0$, so that $\sigma^n \rightarrow p < \nu < \frac{q}{m-1}$. But using (7) and SLLN, this implies that $u_B^n \rightarrow 0$, a contradiction.

Assume $(u_A^n, u_B^n) \rightarrow (u_A^*, u_B^*)$, where both u_A^* and u_B^* are strictly positive and finite. Using SLLN and equations (6) and (7), it follows that π^n and σ^n must both converge to $\frac{q}{m-1}$. This means that $\lambda_A^n \rightarrow \lambda_A^*$ and $\lambda_B^n \rightarrow \lambda_B^*$ such that

$$\frac{\lambda_B^*}{1 - \lambda_A^*} = \frac{\lambda_A^*}{1 - \lambda_B^*}$$

This equality holds only if $\lambda_A^* = \lambda_B^*$, or if $\lambda_A^* = 1 - \lambda_B^*$. Suppose the former is true. Then $\pi^n \rightarrow \pi^*$ where

$$\pi^* = \frac{\lambda_B^*}{1 - \lambda_A^*} < \frac{\nu}{1 - \nu} \simeq \frac{q}{m-1}$$

But the above inequality implies, by (6) and SLLN, that $u_A^n \rightarrow 0$, a contradiction. Suppose next that $\lambda_A^* = 1 - \lambda_B^*$. But $1 - \lambda_B^* > p > \lambda_A^*$, a contradiction. ■

References

1. Buchanan, J. M. and G. Tullock (1962), *The Calculus of Consent*, Ann Arbor: University of Michigan Press.
2. Casella, A. (2003), "Storable Votes," NBER Working Paper 9189.
3. Campbell, C. M. (1999), "Large Electorates and Decisive Minorities," *Journal of Political Economy* **107**, 1199–1217.

4. Dodgson, C. (1884), *The Principles of Parliamentary Representation*, London: Harrison and Sons (supplement, 1885).
5. Feller, W. (1986), *An Introduction to Probability Theory and its Applications*, Volume II, New Delhi: Wiley Eastern Limited.
6. Jackson, M. and H. Sonnenschein (2003), "The Linking of Collective Decisions and Efficiency," mimeo., Caltech.
7. Kahneman D., D. Schkade and C.R. Sunstein (1996), "Shared Outrage and Erratic Awards: The Psychology of Punitive Damages," *Journal of Risk and Uncertainty* **49**.
8. Ledyard, J. O. (1984), "The Pure Theory of Large Two Candidate Elections," *Public Choice* **44**, 7–41.
9. Lijphart, A. (1999), *Patterns of Democracy: Government Forms and Performance in Thirty-Six Countries*, New Haven and London: Yale University Press.
10. Olson, M. (1965), *The Logic of Collective Action: Public Goods and the Theory of Groups*, Cambridge, MA: Harvard University Press.
11. Palfrey, T. R. and H. Rosenthal (1983), "A Strategic Calculus of Voting," *Public Choice* **41**, 7–53.
12. Philipson, T. and J. Snyder (1996), "Equilibrium and Efficiency in an Organized Vote Market," *Public Choice* **89**, 245–265.
13. Piketty, T. (1999), "Information Aggregation through Voting and Vote Trading," mimeo., MIT.
14. Ponsati C. and J. Sàkovics (1996), "Multiperson Bargaining over Two Alternatives," *Games and Economics Behavior* **12**, 226–244.
15. Schkade, D., C.R. Sunstein and D. Kahneman (1999), "Are Juries Less Erratic than Individuals? Deliberation, Polarization and Punitive Damages," *Columbia Law Review*.
16. Sunstein, C.R., D. Kahneman and D. Schkade (1998), "Assessing Punitive Damages," *Yale Law Journal*.

NOTE DI LAVORO DELLA FONDAZIONE ENI ENRICO MATTEI

Fondazione Eni Enrico Mattei Working Paper Series

Our Note di Lavoro are available on the Internet at the following addresses:

<http://www.feem.it/Feem/Pub/Publications/WPapers/default.html>

<http://www.ssrn.com/link/feem.html>

NOTE DI LAVORO PUBLISHED IN 2003

PRIV	1.2003	<i>Gabriella CHIESA and Giovanna NICODANO: <u>Privatization and Financial Market Development: Theoretical Issues</u></i>
PRIV	2.2003	<i>Ibolya SCHINDELE: <u>Theory of Privatization in Eastern Europe: Literature Review</u></i>
PRIV	3.2003	<i>Wietze LISE, Claudia KEMFERT and Richard S.J. TOL: <u>Strategic Action in the Liberalised German Electricity Market</u></i>
CLIM	4.2003	<i>Laura MARSILIANI and Thomas I. RENSTRÖM: <u>Environmental Policy and Capital Movements: The Role of Government Commitment</u></i>
KNOW	5.2003	<i>Reyer GERLAGH: <u>Induced Technological Change under Technological Competition</u></i>
ETA	6.2003	<i>Efrem CASTELNUOVO: <u>Squeezing the Interest Rate Smoothing Weight with a Hybrid Expectations Model</u></i>
SIEV	7.2003	<i>Anna ALBERINI, Alberto LONGO, Stefania TONIN, Francesco TROMBETTA and Margherita TURVANI: <u>The Role of Liability, Regulation and Economic Incentives in Brownfield Remediation and Redevelopment: Evidence from Surveys of Developers</u></i>
NRM	8.2003	<i>Elissaios PAPYRAKIS and Reyner GERLAGH: <u>Natural Resources: A Blessing or a Curse?</u></i>
CLIM	9.2003	<i>A. CAPARRÓS, J.-C. PEREAU and T. TAZDAÏT: <u>North-South Climate Change Negotiations: a Sequential Game with Asymmetric Information</u></i>
KNOW	10.2003	<i>Giorgio BRUNELLO and Daniele CHECCHI: <u>School Quality and Family Background in Italy</u></i>
CLIM	11.2003	<i>Efrem CASTELNUOVO and Marzio GALEOTTI: <u>Learning By Doing vs Learning By Researching in a Model of Climate Change Policy Analysis</u></i>
KNOW	12.2003	<i>Carole MAIGNAN, Gianmarco OTTAVIANO and Dino PINELLI (eds.): <u>Economic Growth, Innovation, Cultural Diversity: What are we all talking about? A critical survey of the state-of-the-art</u></i>
KNOW	13.2003	<i>Carole MAIGNAN, Gianmarco OTTAVIANO, Dino PINELLI and Francesco RULLANI (lix): <u>Bio-Ecological Diversity vs. Socio-Economic Diversity. A Comparison of Existing Measures</u></i>
KNOW	14.2003	<i>Maddy JANSSENS and Chris STEYAERT (lix): <u>Theories of Diversity within Organisation Studies: Debates and Future Trajectories</u></i>
KNOW	15.2003	<i>Tuzin BAYCAN LEVENT, Enno MASUREL and Peter NIJKAMP (lix): <u>Diversity in Entrepreneurship: Ethnic and Female Roles in Urban Economic Life</u></i>
KNOW	16.2003	<i>Alexandra BITUSIKOVA (lix): <u>Post-Communist City on its Way from Grey to Colourful: The Case Study from Slovakia</u></i>
KNOW	17.2003	<i>Billy E. VAUGHN and Katarina MLEKOV (lix): <u>A Stage Model of Developing an Inclusive Community</u></i>
KNOW	18.2003	<i>Selma van LONDEN and Arie de RUIJTER (lix): <u>Managing Diversity in a Glocalizing World</u></i>
Coalition Theory Network	19.2003	<i>Sergio CURRARINI: <u>On the Stability of Hierarchies in Games with Externalities</u></i>
PRIV	20.2003	<i>Giacomo CALZOLARI and Alessandro PAVAN (lx): <u>Monopoly with Resale</u></i>
PRIV	21.2003	<i>Claudio MEZZETTI (lx): <u>Auction Design with Interdependent Valuations: The Generalized Revelation Principle, Efficiency, Full Surplus Extraction and Information Acquisition</u></i>
PRIV	22.2003	<i>Marco LiCalzi and Alessandro PAVAN (lx): <u>Tilting the Supply Schedule to Enhance Competition in Uniform-Price Auctions</u></i>
PRIV	23.2003	<i>David ETTINGER (lx): <u>Bidding among Friends and Enemies</u></i>
PRIV	24.2003	<i>Hannu VARTIAINEN (lx): <u>Auction Design without Commitment</u></i>
PRIV	25.2003	<i>Matti KELOHARJU, Kjell G. NYBORG and Kristian RYDQVIST (lx): <u>Strategic Behavior and Underpricing in Uniform Price Auctions: Evidence from Finnish Treasury Auctions</u></i>
PRIV	26.2003	<i>Christine A. PARLOUR and Uday RAJAN (lx): <u>Rationing in IPOs</u></i>
PRIV	27.2003	<i>Kjell G. NYBORG and Ilya A. STREBULAIEV (lx): <u>Multiple Unit Auctions and Short Squeezes</u></i>
PRIV	28.2003	<i>Anders LUNANDER and Jan-Eric NILSSON (lx): <u>Taking the Lab to the Field: Experimental Tests of Alternative Mechanisms to Procure Multiple Contracts</u></i>
PRIV	29.2003	<i>TangaMcDANIEL and Karsten NEUHOFF (lx): <u>Use of Long-term Auctions for Network Investment</u></i>
PRIV	30.2003	<i>Emiel MAASLAND and Sander ONDERSTAL (lx): <u>Auctions with Financial Externalities</u></i>
ETA	31.2003	<i>Michael FINUS and Bianca RUNDSHAGEN: <u>A Non-cooperative Foundation of Core-Stability in Positive Externality NTU-Coalition Games</u></i>
KNOW	32.2003	<i>Michele MORETTO: <u>Competition and Irreversible Investments under Uncertainty</u></i>
PRIV	33.2003	<i>Philippe QUIRION: <u>Relative Quotas: Correct Answer to Uncertainty or Case of Regulatory Capture?</u></i>
KNOW	34.2003	<i>Giuseppe MEDA, Claudio PIGA and Donald SIEGEL: <u>On the Relationship between R&D and Productivity: A Treatment Effect Analysis</u></i>
ETA	35.2003	<i>Alessandra DEL BOCA, Marzio GALEOTTI and Paola ROTA: <u>Non-convexities in the Adjustment of Different Capital Inputs: A Firm-level Investigation</u></i>

GG	36.2003	<i>Matthieu GLACHANT</i> : <u>Voluntary Agreements under Endogenous Legislative Threats</u>
PRIV	37.2003	<i>Narjess BOUBAKRI, Jean-Claude COSSET and Omrane GUEDHAMI</i> : <u>Postprivatization Corporate Governance: the Role of Ownership Structure and Investor Protection</u>
CLIM	38.2003	<i>Rolf GOLOMBEK and Michael HOEL</i> : <u>Climate Policy under Technology Spillovers</u>
KNOW	39.2003	<i>Slim BEN YOUSSEF</i> : <u>Transboundary Pollution, R&D Spillovers and International Trade</u>
CTN	40.2003	<i>Carlo CARRARO and Carmen MARCHIORI</i> : <u>Endogenous Strategic Issue Linkage in International Negotiations</u>
KNOW	41.2003	<i>Sonia OREFFICE</i> : <u>Abortion and Female Power in the Household: Evidence from Labor Supply</u>
KNOW	42.2003	<i>Timo GOESCHL and Timothy SWANSON</i> : <u>On Biology and Technology: The Economics of Managing Biotechnologies</u>
ETA	43.2003	<i>Giorgio Busetti and Matteo MANERA</i> : <u>STAR-GARCH Models for Stock Market Interactions in the Pacific Basin Region, Japan and US</u>
CLIM	44.2003	<i>Katrin MILLOCK and Céline NAUGES</i> : <u>The French Tax on Air Pollution: Some Preliminary Results on its Effectiveness</u>
PRIV	45.2003	<i>Bernardo BORTOLOTTI and Paolo PINOTTI</i> : <u>The Political Economy of Privatization</u>
SIEV	46.2003	<i>Elbert DIJKGRAAF and Herman R.J. VOLLEBERGH</i> : <u>Burn or Bury? A Social Cost Comparison of Final Waste Disposal Methods</u>
ETA	47.2003	<i>Jens HORBACH</i> : <u>Employment and Innovations in the Environmental Sector: Determinants and Econometrical Results for Germany</u>
CLIM	48.2003	<i>Lori SNYDER, Nolan MILLER and Robert STAVINS</i> : <u>The Effects of Environmental Regulation on Technology Diffusion: The Case of Chlorine Manufacturing</u>
CLIM	49.2003	<i>Lori SNYDER, Robert STAVINS and Alexander F. WAGNER</i> : <u>Private Options to Use Public Goods. Exploiting Revealed Preferences to Estimate Environmental Benefits</u>
CTN	50.2003	<i>László Á. KÓCZY and Luc LAUWERS (Ixi)</i> : <u>The Minimal Dominant Set is a Non-Empty Core-Extension</u>
CTN	51.2003	<i>Matthew O. JACKSON (Ixi)</i> : <u>Allocation Rules for Network Games</u>
CTN	52.2003	<i>Ana MAULEON and Vincent VANNETELBOSCH (Ixi)</i> : <u>Farsightedness and Cautiousness in Coalition Formation</u>
CTN	53.2003	<i>Fernando VEGA-REDONDO (Ixi)</i> : <u>Building Up Social Capital in a Changing World: a network approach</u>
CTN	54.2003	<i>Matthew HAAG and Roger LAGUNOFF (Ixi)</i> : <u>On the Size and Structure of Group Cooperation</u>
CTN	55.2003	<i>Taiji FURUSAWA and Hideo KONISHI (Ixi)</i> : <u>Free Trade Networks</u>
CTN	56.2003	<i>Halis Murat YILDIZ (Ixi)</i> : <u>National Versus International Mergers and Trade Liberalization</u>
CTN	57.2003	<i>Santiago RUBIO and Alistair ULPH (Ixi)</i> : <u>An Infinite-Horizon Model of Dynamic Membership of International Environmental Agreements</u>
KNOW	58.2003	<i>Carole MAIGNAN, Dino PINELLI and Gianmarco I.P. OTTAVIANO</i> : <u>ICT, Clusters and Regional Cohesion: A Summary of Theoretical and Empirical Research</u>
KNOW	59.2003	<i>Giorgio BELLETTINI and Gianmarco I.P. OTTAVIANO</i> : <u>Special Interests and Technological Change</u>
ETA	60.2003	<i>Ronnie SCHÖB</i> : <u>The Double Dividend Hypothesis of Environmental Taxes: A Survey</u>
CLIM	61.2003	<i>Michael FINUS, Ekko van IERLAND and Robert DELLINK</i> : <u>Stability of Climate Coalitions in a Cartel Formation Game</u>
GG	62.2003	<i>Michael FINUS and Bianca RUNDSHAGEN</i> : <u>How the Rules of Coalition Formation Affect Stability of International Environmental Agreements</u>
SIEV	63.2003	<i>Alberto PETRUCCI</i> : <u>Taxing Land Rent in an Open Economy</u>
CLIM	64.2003	<i>Joseph E. ALDY, Scott BARRETT and Robert N. STAVINS</i> : <u>Thirteen Plus One: A Comparison of Global Climate Policy Architectures</u>
SIEV	65.2003	<i>Edi DEFRANCESCO</i> : <u>The Beginning of Organic Fish Farming in Italy</u>
SIEV	66.2003	<i>Klaus CONRAD</i> : <u>Price Competition and Product Differentiation when Consumers Care for the Environment</u>
SIEV	67.2003	<i>Paulo A.L.D. NUNES, Luca ROSSETTO, Arianne DE BLAEIJ</i> : <u>Monetary Value Assessment of Clam Fishing Management Practices in the Venice Lagoon: Results from a Stated Choice Exercise</u>
CLIM	68.2003	<i>ZhongXiang ZHANG</i> : <u>Open Trade with the U.S. Without Compromising Canada's Ability to Comply with its Kyoto Target</u>
KNOW	69.2003	<i>David FRANTZ (Ixi)</i> : <u>Lorenzo Market between Diversity and Mutation</u>
KNOW	70.2003	<i>Ercole SORI (Ixi)</i> : <u>Mapping Diversity in Social History</u>
KNOW	71.2003	<i>Ljiljana DERU SIMIC (Ixi)</i> : <u>What is Specific about Art/Cultural Projects?</u>
KNOW	72.2003	<i>Natalya V. TARANOVA (Ixi)</i> : <u>The Role of the City in Fostering Intergroup Communication in a Multicultural Environment: Saint-Petersburg's Case</u>
KNOW	73.2003	<i>Kristine CRANE (Ixi)</i> : <u>The City as an Arena for the Expression of Multiple Identities in the Age of Globalisation and Migration</u>
KNOW	74.2003	<i>Kazuma MATOBA (Ixi)</i> : <u>Glocal Dialogue- Transformation through Transcultural Communication</u>
KNOW	75.2003	<i>Catarina REIS OLIVEIRA (Ixi)</i> : <u>Immigrants' Entrepreneurial Opportunities: The Case of the Chinese in Portugal</u>
KNOW	76.2003	<i>Sandra WALLMAN (Ixi)</i> : <u>The Diversity of Diversity - towards a typology of urban systems</u>
KNOW	77.2003	<i>Richard PEARCE (Ixi)</i> : <u>A Biologist's View of Individual Cultural Identity for the Study of Cities</u>
KNOW	78.2003	<i>Vincent MERK (Ixi)</i> : <u>Communication Across Cultures: from Cultural Awareness to Reconciliation of the Dilemmas</u>
KNOW	79.2003	<i>Giorgio BELLETTINI, Carlotta BERTI CERONI and Gianmarco I.P. OTTAVIANO</i> : <u>Child Labor and Resistance to Change</u>
ETA	80.2003	<i>Michele MORETTO, Paolo M. PANTEGHINI and Carlo SCARPA</i> : <u>Investment Size and Firm's Value under Profit Sharing Regulation</u>

ITEM	81.2003	<i>Alessandro LANZA, Matteo MANERA and Massimo GIOVANNINI: <u>Oil and Product Dynamics in International Petroleum Markets</u></i>
CLIM	82.2003	<i>Y. Hossein FARZIN and Jinhua ZHAO: <u>Pollution Abatement Investment When Firms Lobby Against Environmental Regulation</u></i>
CLIM	83.2003	<i>Giuseppe DI VITA: <u>Is the Discount Rate Relevant in Explaining the Environmental Kuznets Curve?</u></i>
CLIM	84.2003	<i>Reyer GERLAGH and Wietze LISE: <u>Induced Technological Change Under Carbon Taxes</u></i>
NRM	85.2003	<i>Rinaldo BRAU, Alessandro LANZA and Francesco PIGLIARU: <u>How Fast are the Tourism Countries Growing? The cross-country evidence</u></i>
KNOW	86.2003	<i>Elena BELLINI, Gianmarco I.P. OTTAVIANO and Dino PINELLI: <u>The ICT Revolution: opportunities and risks for the Mezzogiorno</u></i>
SIEV	87.2003	<i>Lucas BRETSCGHER and Sjak SMULDERS: <u>Sustainability and Substitution of Exhaustible Natural Resources. How resource prices affect long-term R&D investments</u></i>
CLIM	88.2003	<i>Johan EYCKMANS and Michael FINUS: <u>New Roads to International Environmental Agreements: The Case of Global Warming</u></i>
CLIM	89.2003	<i>Marzio GALEOTTI: <u>Economic Development and Environmental Protection</u></i>
CLIM	90.2003	<i>Marzio GALEOTTI: <u>Environment and Economic Growth: Is Technical Change the Key to Decoupling?</u></i>
CLIM	91.2003	<i>Marzio GALEOTTI and Barbara BUCHNER: <u>Climate Policy and Economic Growth in Developing Countries</u></i>
ITEM	92.2003	<i>A. MARKANDYA, A. GOLUB and E. STRUKOVA: <u>The Influence of Climate Change Considerations on Energy Policy: The Case of Russia</u></i>
ETA	93.2003	<i>Andrea BELTRATTI: <u>Socially Responsible Investment in General Equilibrium</u></i>
CTN	94.2003	<i>Parkash CHANDER: <u>The γ-Core and Coalition Formation</u></i>
ITEM	95.2003	<i>Matteo MANERA and Angelo MARZULLO: <u>Modelling the Load Curve of Aggregate Electricity Consumption Using Principal Components</u></i>
ITEM	96.2003	<i>Alessandro LANZA, Matteo MANERA, Margherita GRASSO and Massimo GIOVANNINI: <u>Long-run Models of Oil Stock Prices</u></i>
CTN	97.2003	<i>Steven J. BRAMS, Michael A. JONES, and D. Marc KILGOUR: <u>Forming Stable Coalitions: The Process Matters</u></i>
KNOW	98.2003	<i>John CROWLEY, Marie-Cecile NAVES (Ixxiii): <u>Anti-Racist Policies in France. From Ideological and Historical Schemes to Socio-Political Realities</u></i>
KNOW	99.2003	<i>Richard THOMPSON FORD (Ixxiii): <u>Cultural Rights and Civic Virtue</u></i>
KNOW	100.2003	<i>Alaknanda PATEL (Ixxiii): <u>Cultural Diversity and Conflict in Multicultural Cities</u></i>
KNOW	101.2003	<i>David MAY (Ixxiii): <u>The Struggle of Becoming Established in a Deprived Inner-City Neighbourhood</u></i>
KNOW	102.2003	<i>Sébastien ARCAND, Danielle JUTEAU, Sirma BILGE, and Francine LEMIRE (Ixxiii) : <u>Municipal Reform on the Island of Montreal: Tensions Between Two Majority Groups in a Multicultural City</u></i>
CLIM	103.2003	<i>Barbara BUCHNER and Carlo CARRARO: <u>China and the Evolution of the Present Climate Regime</u></i>
CLIM	104.2003	<i>Barbara BUCHNER and Carlo CARRARO: <u>Emissions Trading Regimes and Incentives to Participate in International Climate Agreements</u></i>
CLIM	105.2003	<i>Anil MARKANDYA and Dirk T.G. RÜBBELKE: <u>Ancillary Benefits of Climate Policy</u></i>
NRM	106.2003	<i>Anne Sophie CRÉPIN (Ixiv): <u>Management Challenges for Multiple-Species Boreal Forests</u></i>
NRM	107.2003	<i>Anne Sophie CRÉPIN (Ixiv): <u>Threshold Effects in Coral Reef Fisheries</u></i>
SIEV	108.2003	<i>Sara ANIYAR (Ixiv): <u>Estimating the Value of Oil Capital in a Small Open Economy: The Venezuela's Example</u></i>
SIEV	109.2003	<i>Kenneth ARROW, Partha DASGUPTA and Karl-Göran MÄLER(Ixiv): <u>Evaluating Projects and Assessing Sustainable Development in Imperfect Economies</u></i>
NRM	110.2003	<i>Anastasios XEPAPADEAS and Catarina ROSETA-PALMA(Ixiv): <u>Instabilities and Robust Control in Fisheries</u></i>
NRM	111.2003	<i>Charles PERRINGS and Brian WALKER (Ixiv): <u>Conservation and Optimal Use of Rangelands</u></i>
ETA	112.2003	<i>Jack GOODY (Ixiv): <u>Globalisation, Population and Ecology</u></i>
CTN	113.2003	<i>Carlo CARRARO, Carmen MARCHIORI and Sonia OREFFICE: <u>Endogenous Minimum Participation in International Environmental Treaties</u></i>
CTN	114.2003	<i>Guillaume HAERINGER and Myrna WOODERS: <u>Decentralized Job Matching</u></i>
CTN	115.2003	<i>Hideo KONISHI and M. Utku UNVER: <u>Credible Group Stability in Multi-Partner Matching Problems</u></i>
CTN	116.2003	<i>Somdeb LAHIRI: <u>Stable Matchings for the Room-Mates Problem</u></i>
CTN	117.2003	<i>Somdeb LAHIRI: <u>Stable Matchings for a Generalized Marriage Problem</u></i>
CTN	118.2003	<i>Marita LAUKKANEN: <u>Transboundary Fisheries Management under Implementation Uncertainty</u></i>
CTN	119.2003	<i>Edward CARTWRIGHT and Myrna WOODERS: <u>Social Conformity and Bounded Rationality in Arbitrary Games with Incomplete Information: Some First Results</u></i>
CTN	120.2003	<i>Gianluigi VERNASCA: <u>Dynamic Price Competition with Price Adjustment Costs and Product Differentiation</u></i>
CTN	121.2003	<i>Myrna WOODERS, Edward CARTWRIGHT and Reinhard SELTEN: <u>Social Conformity in Games with Many Players</u></i>
CTN	122.2003	<i>Edward CARTWRIGHT and Myrna WOODERS: <u>On Equilibrium in Pure Strategies in Games with Many Players</u></i>
CTN	123.2003	<i>Edward CARTWRIGHT and Myrna WOODERS: <u>Conformity and Bounded Rationality in Games with Many Players</u></i>
1000		Carlo CARRARO, Alessandro LANZA and Valeria PAPPONETTI: <u>One Thousand Working Papers</u>

NOTE DI LAVORO PUBLISHED IN 2004

IEM	1.2004	<i>Anil MARKANDYA, Suzette PEDROSO and Alexander GOLUB:</i> <u>Empirical Analysis of National Income and So2 Emissions in Selected European Countries</u>
ETA	2.2004	<i>Masahisa FUJITA and Shlomo WEBER:</i> <u>Strategic Immigration Policies and Welfare in Heterogeneous Countries</u>
PRA	3.2004	<i>Adolfo DI CARLUCCIO, Giovanni FERRI, Cecilia FRALE and Ottavio RICCHI:</i> <u>Do Privatizations Boost Household Shareholding? Evidence from Italy</u>
ETA	4.2004	<i>Victor GINSBURGH and Shlomo WEBER:</i> <u>Languages Disenfranchisement in the European Union</u>
ETA	5.2004	<i>Romano PIRAS:</i> <u>Growth, Congestion of Public Goods, and Second-Best Optimal Policy</u>
CCMP	6.2004	<i>Herman R.J. VOLLEBERGH:</i> <u>Lessons from the Polder: Is Dutch CO2-Taxation Optimal</u>
PRA	7.2004	<i>Sandro BRUSCO, Giuseppe LOPOMO and S. VISWANATHAN (lxv):</i> <u>Merger Mechanisms</u>
PRA	8.2004	<i>Wolfgang AUSSENEGG, Pegaret PICHLER and Alex STOMPER (lxv):</i> <u>IPO Pricing with Bookbuilding, and a When-Issued Market</u>
PRA	9.2004	<i>Pegaret PICHLER and Alex STOMPER (lxv):</i> <u>Primary Market Design: Direct Mechanisms and Markets</u>
PRA	10.2004	<i>Florian ENGLMAIER, Pablo GUILLEN, Loreto LLORENTE, Sander ONDERSTAL and Rupert SAUSGRUBER (lxv):</i> <u>The Chopstick Auction: A Study of the Exposure Problem in Multi-Unit Auctions</u>
PRA	11.2004	<i>Bjarne BRENDSTRUP and Harry J. PAARSCH (lxv):</i> <u>Nonparametric Identification and Estimation of Multi-Unit, Sequential, Oral, Ascending-Price Auctions With Asymmetric Bidders</u>
PRA	12.2004	<i>Ohad KADAN (lxv):</i> <u>Equilibrium in the Two Player, k-Double Auction with Affiliated Private Values</u>
PRA	13.2004	<i>Maarten C.W. JANSSEN (lxv):</i> <u>Auctions as Coordination Devices</u>
PRA	14.2004	<i>Gadi FIBICH, Arie GAVIOUS and Aner SELA (lxv):</i> <u>All-Pay Auctions with Weakly Risk-Averse Buyers</u>
PRA	15.2004	<i>Orly SADE, Charles SCHNITZLEIN and Jaime F. ZENDER (lxv):</i> <u>Competition and Cooperation in Divisible Good Auctions: An Experimental Examination</u>
PRA	16.2004	<i>Marta STRYSZOWSKA (lxv):</i> <u>Late and Multiple Bidding in Competing Second Price Internet Auctions</u>
CCMP	17.2004	<i>Slim Ben YOUSSEF:</i> <u>R&D in Cleaner Technology and International Trade</u>
NRM	18.2004	<i>Angelo ANTOCI, Simone BORGHESI and Paolo RUSSU (lxvi):</i> <u>Biodiversity and Economic Growth: Stabilization Versus Preservation of the Ecological Dynamics</u>
SIEV	19.2004	<i>Anna ALBERINI, Paolo ROSATO, Alberto LONGO and Valentina ZANATTA:</i> <u>Information and Willingness to Pay in a Contingent Valuation Study: The Value of S. Erasmo in the Lagoon of Venice</u>
NRM	20.2004	<i>Guido CANDELA and Roberto CELLINI (lxvii):</i> <u>Investment in Tourism Market: A Dynamic Model of Differentiated Oligopoly</u>
NRM	21.2004	<i>Jacqueline M. HAMILTON (lxvii):</i> <u>Climate and the Destination Choice of German Tourists</u>
NRM	22.2004	<i>Javier Rey-MAQUIEIRA PALMER, Javier LOZANO IBÁÑEZ and Carlos Mario GÓMEZ GÓMEZ (lxvii):</i> <u>Land, Environmental Externalities and Tourism Development</u>
NRM	23.2004	<i>Pius ODUNGA and Henk FOLMER (lxvii):</i> <u>Profiling Tourists for Balanced Utilization of Tourism-Based Resources in Kenya</u>
NRM	24.2004	<i>Jean-Jacques NOWAK, Mondher SAHLI and Pasquale M. SGRO (lxvii):</i> <u>Tourism, Trade and Domestic Welfare</u>
NRM	25.2004	<i>Riaz SHAREEF (lxvii):</i> <u>Country Risk Ratings of Small Island Tourism Economies</u>
NRM	26.2004	<i>Juan Luis EUGENIO-MARTÍN, Noelia MARTÍN MORALES and Riccardo SCARPA (lxvii):</i> <u>Tourism and Economic Growth in Latin American Countries: A Panel Data Approach</u>
NRM	27.2004	<i>Raúl Hernández MARTÍN (lxvii):</i> <u>Impact of Tourism Consumption on GDP. The Role of Imports</u>
CSRM	28.2004	<i>Nicoletta FERRO:</i> <u>Cross-Country Ethical Dilemmas in Business: A Descriptive Framework</u>
NRM	29.2004	<i>Marian WEBER (lxvi):</i> <u>Assessing the Effectiveness of Tradable Landuse Rights for Biodiversity Conservation: an Application to Canada's Boreal Mixedwood Forest</u>
NRM	30.2004	<i>Trond BJØRNDAL, Phoebe KOUNDOURI and Sean PASCOE (lxvi):</i> <u>Output Substitution in Multi-Species Trawl Fisheries: Implications for Quota Setting</u>
CCMP	31.2004	<i>Marzio GALEOTTI, Alessandra GORIA, Paolo MOMBRINI and Evi SPANTIDAKI:</i> <u>Weather Impacts on Natural, Social and Economic Systems (WISE) Part I: Sectoral Analysis of Climate Impacts in Italy</u>
CCMP	32.2004	<i>Marzio GALEOTTI, Alessandra GORIA, Paolo MOMBRINI and Evi SPANTIDAKI:</i> <u>Weather Impacts on Natural, Social and Economic Systems (WISE) Part II: Individual Perception of Climate Extremes in Italy</u>
CTN	33.2004	<i>Wilson PEREZ:</i> <u>Divide and Conquer: Noisy Communication in Networks, Power, and Wealth Distribution</u>
KTHC	34.2004	<i>Gianmarco I.P. OTTAVIANO and Giovanni PERI (lxviii):</i> <u>The Economic Value of Cultural Diversity: Evidence from US Cities</u>
KTHC	35.2004	<i>Linda CHAIB (lxviii):</i> <u>Immigration and Local Urban Participatory Democracy: A Boston-Paris Comparison</u>
KTHC	36.2004	<i>Franca ECKERT COEN and Claudio ROSSI (lxviii):</i> <u>Foreigners, Immigrants, Host Cities: The Policies of Multi-Ethnicity in Rome. Reading Governance in a Local Context</u>
KTHC	37.2004	<i>Kristine CRANE (lxviii):</i> <u>Governing Migration: Immigrant Groups' Strategies in Three Italian Cities – Rome, Naples and Bari</u>
KTHC	38.2004	<i>Kiflemariam HAMDE (lxviii):</i> <u>Mind in Africa, Body in Europe: The Struggle for Maintaining and Transforming Cultural Identity - A Note from the Experience of Eritrean Immigrants in Stockholm</u>
ETA	39.2004	<i>Alberto CAVALIERE:</i> <u>Price Competition with Information Disparities in a Vertically Differentiated Duopoly</u>
PRA	40.2004	<i>Andrea BIGANO and Stef PROOST:</i> <u>The Opening of the European Electricity Market and Environmental Policy: Does the Degree of Competition Matter?</u>
CCMP	41.2004	<i>Micheal FINUS (lxix):</i> <u>International Cooperation to Resolve International Pollution Problems</u>

KTHC	42.2004	<i>Francesco CRESPI</i> : <u>Notes on the Determinants of Innovation: A Multi-Perspective Analysis</u>
CTN	43.2004	<i>Sergio CURRARINI and Marco MARINI</i> : <u>Coalition Formation in Games without Synergies</u>
CTN	44.2004	<i>Marc ESCRIHUELA-VILLAR</i> : <u>Cartel Sustainability and Cartel Stability</u>
NRM	45.2004	<i>Sebastian BERVOETS and Nicolas GRAVEL</i> (lxvi): <u>Appraising Diversity with an Ordinal Notion of Similarity: An Axiomatic Approach</u>
NRM	46.2004	<i>Signe ANTHON and Bo JELLES MARK THORSEN</i> (lxvi): <u>Optimal Afforestation Contracts with Asymmetric Information on Private Environmental Benefits</u>
NRM	47.2004	<i>John MBURU</i> (lxvi): <u>Wildlife Conservation and Management in Kenya: Towards a Co-management Approach</u>
NRM	48.2004	<i>Ekin BIROL, Ágnes GYOVAI and Melinda SMALE</i> (lxvi): <u>Using a Choice Experiment to Value Agricultural Biodiversity on Hungarian Small Farms: Agri-Environmental Policies in a Transitional Economy</u>
CCMP	49.2004	<i>Gernot KLEPPER and Sonja PETERSON</i> : <u>The EU Emissions Trading Scheme. Allowance Prices, Trade Flows, Competitiveness Effects</u>
GG	50.2004	<i>Scott BARRETT and Michael HOEL</i> : <u>Optimal Disease Eradication</u>
CTN	51.2004	<i>Dinko DIMITROV, Peter BORM, Ruud HENDRICKX and Shao CHIN SUNG</i> : <u>Simple Priorities and Core Stability in Hedonic Games</u>
SIEV	52.2004	<i>Francesco RICCI</i> : <u>Channels of Transmission of Environmental Policy to Economic Growth: A Survey of the Theory</u>
SIEV	53.2004	<i>Anna ALBERINI, Maureen CROPPER, Alan KRUPNICK and Nathalie B. SIMON</i> : <u>Willingness to Pay for Mortality Risk Reductions: Does Latency Matter?</u>
NRM	54.2004	<i>Ingo BRÄUER and Rainer MARGGRAF</i> (lxvi): <u>Valuation of Ecosystem Services Provided by Biodiversity Conservation: An Integrated Hydrological and Economic Model to Value the Enhanced Nitrogen Retention in Renaturated Streams</u>
NRM	55.2004	<i>Timo GOESCHL and Tun LIN</i> (lxvi): <u>Biodiversity Conservation on Private Lands: Information Problems and Regulatory Choices</u>
NRM	56.2004	<i>Tom DEDEURWAERDERE</i> (lxvi): <u>Bioprospection: From the Economics of Contracts to Reflexive Governance</u>
CCMP	57.2004	<i>Katrin REHDANZ and David MADDISON</i> : <u>The Amenity Value of Climate to German Households</u>
CCMP	58.2004	<i>Koen SMEKENS and Bob VAN DER ZWAAN</i> : <u>Environmental Externalities of Geological Carbon Sequestration Effects on Energy Scenarios</u>
NRM	59.2004	<i>Valentina BOSETTI, Mariaester CASSINELLI and Alessandro LANZA</i> (lxvii): <u>Using Data Envelopment Analysis to Evaluate Environmentally Conscious Tourism Management</u>
NRM	60.2004	<i>Timo GOESCHL and Danilo CAMARGO IGLIORI</i> (lxvi): <u>Property Rights Conservation and Development: An Analysis of Extractive Reserves in the Brazilian Amazon</u>
CCMP	61.2004	<i>Barbara BUCHNER and Carlo CARRARO</i> : <u>Economic and Environmental Effectiveness of a Technology-based Climate Protocol</u>
NRM	62.2004	<i>Elissaios PAPYRAKIS and Reyner GERLAGH</i> : <u>Resource-Abundance and Economic Growth in the U.S.</u>
NRM	63.2004	<i>Györgyi BELA, György PATAKI, Melinda SMALE and Mariann HAJDÚ</i> (lxvi): <u>Conserving Crop Genetic Resources on Smallholder Farms in Hungary: Institutional Analysis</u>
NRM	64.2004	<i>E.C.M. RUIJGROK and E.E.M. NILLESEN</i> (lxvi): <u>The Socio-Economic Value of Natural Riverbanks in the Netherlands</u>
NRM	65.2004	<i>E.C.M. RUIJGROK</i> (lxvi): <u>Reducing Acidification: The Benefits of Increased Nature Quality. Investigating the Possibilities of the Contingent Valuation Method</u>
ETA	66.2004	<i>Giannis VARDAS and Anastasios XEPAPADEAS</i> : <u>Uncertainty Aversion, Robust Control and Asset Holdings</u>
GG	67.2004	<i>Anastasios XEPAPADEAS and Constadina PASSA</i> : <u>Participation in and Compliance with Public Voluntary Environmental Programs: An Evolutionary Approach</u>
GG	68.2004	<i>Michael FINUS</i> : <u>Modesty Pays: Sometimes!</u>
NRM	69.2004	<i>Trond BJØRNDAL and Ana BRASÃO</i> : <u>The Northern Atlantic Bluefin Tuna Fisheries: Management and Policy Implications</u>
CTN	70.2004	<i>Alejandro CAPARRÓS, Abdelhakim HAMMOUDI and Tarik TAZDAÏT</i> : <u>On Coalition Formation with Heterogeneous Agents</u>
IEM	71.2004	<i>Massimo GIOVANNINI, Margherita GRASSO, Alessandro LANZA and Matteo MANERA</i> : <u>Conditional Correlations in the Returns on Oil Companies Stock Prices and Their Determinants</u>
IEM	72.2004	<i>Alessandro LANZA, Matteo MANERA and Michael MCALEER</i> : <u>Modelling Dynamic Conditional Correlations in WTI Oil Forward and Futures Returns</u>
SIEV	73.2004	<i>Margarita GENIUS and Elisabetta STRAZZERA</i> : <u>The Copula Approach to Sample Selection Modelling: An Application to the Recreational Value of Forests</u>
CCMP	74.2004	<i>Rob DELLINK and Ekko van IERLAND</i> : <u>Pollution Abatement in the Netherlands: A Dynamic Applied General Equilibrium Assessment</u>
ETA	75.2004	<i>Rosella LEVAGGI and Michele MORETTO</i> : <u>Investment in Hospital Care Technology under Different Purchasing Rules: A Real Option Approach</u>
CTN	76.2004	<i>Salvador BARBERÀ and Matthew O. JACKSON</i> (lxx): <u>On the Weights of Nations: Assigning Voting Weights in a Heterogeneous Union</u>
CTN	77.2004	<i>Àlex ARENAS, Antonio CABRALES, Albert DÍAZ-GUILERA, Roger GUIMERÀ and Fernando VEGA-REDONDO</i> (lxx): <u>Optimal Information Transmission in Organizations: Search and Congestion</u>
CTN	78.2004	<i>Francis BLOCH and Armando GOMES</i> (lxx): <u>Contracting with Externalities and Outside Options</u>

CTN	79.2004	<i>Rabah AMIR, Effrosyni DIAMANTOUDI and Licun XUE (lxx): <u>Merger Performance under Uncertain Efficiency Gains</u></i>
CTN	80.2004	<i>Francis BLOCH and Matthew O. JACKSON (lxx): <u>The Formation of Networks with Transfers among Players</u></i>
CTN	81.2004	<i>Daniel DIERMEIER, Hülya ERASLAN and Antonio MERLO (lxx): <u>Bicameralism and Government Formation</u></i>
CTN	82.2004	<i>Rod GARRATT, James E. PARCO, Cheng-ZHONG QIN and Amnon RAPOPORT (lxx): <u>Potential Maximization and Coalition Government Formation</u></i>
CTN	83.2004	<i>Kfir ELIAZ, Debraj RAY and Ronny RAZIN (lxx): <u>Group Decision-Making in the Shadow of Disagreement</u></i>

- (lix) This paper was presented at the ENGIME Workshop on “Mapping Diversity”, Leuven, May 16-17, 2002
- (lx) This paper was presented at the EuroConference on “Auctions and Market Design: Theory, Evidence and Applications”, organised by the Fondazione Eni Enrico Mattei, Milan, September 26-28, 2002
- (lxi) This paper was presented at the Eighth Meeting of the Coalition Theory Network organised by the GREQAM, Aix-en-Provence, France, January 24-25, 2003
- (lxii) This paper was presented at the ENGIME Workshop on “Communication across Cultures in Multicultural Cities”, The Hague, November 7-8, 2002
- (lxiii) This paper was presented at the ENGIME Workshop on “Social dynamics and conflicts in multicultural cities”, Milan, March 20-21, 2003
- (lxiv) This paper was presented at the International Conference on “Theoretical Topics in Ecological Economics”, organised by the Abdus Salam International Centre for Theoretical Physics - ICTP, the Beijer International Institute of Ecological Economics, and Fondazione Eni Enrico Mattei – FEEM Trieste, February 10-21, 2003
- (lxv) This paper was presented at the EuroConference on “Auctions and Market Design: Theory, Evidence and Applications” organised by Fondazione Eni Enrico Mattei and sponsored by the EU, Milan, September 25-27, 2003
- (lxvi) This paper has been presented at the 4th BioEcon Workshop on “Economic Analysis of Policies for Biodiversity Conservation” organised on behalf of the BIOECON Network by Fondazione Eni Enrico Mattei, Venice International University (VIU) and University College London (UCL), Venice, August 28-29, 2003
- (lxvii) This paper has been presented at the international conference on “Tourism and Sustainable Economic Development – Macro and Micro Economic Issues” jointly organised by CRENoS (Università di Cagliari e Sassari, Italy) and Fondazione Eni Enrico Mattei, and supported by the World Bank, Sardinia, September 19-20, 2003
- (lxviii) This paper was presented at the ENGIME Workshop on “Governance and Policies in Multicultural Cities”, Rome, June 5-6, 2003
- (lxix) This paper was presented at the Fourth EEP Plenary Workshop and EEP Conference “The Future of Climate Policy”, Cagliari, Italy, 27-28 March 2003
- (lxx) This paper was presented at the 9th Coalition Theory Workshop on "Collective Decisions and Institutional Design" organised by the Universitat Autònoma de Barcelona and held in Barcelona, Spain, January 30-31, 2004

2003 SERIES

CLIM	<i>Climate Change Modelling and Policy</i> (Editor: Marzio Galeotti)
GG	<i>Global Governance</i> (Editor: Carlo Carraro)
SIEV	<i>Sustainability Indicators and Environmental Valuation</i> (Editor: Anna Alberini)
NRM	<i>Natural Resources Management</i> (Editor: Carlo Giupponi)
KNOW	<i>Knowledge, Technology, Human Capital</i> (Editor: Gianmarco Ottaviano)
IEM	<i>International Energy Markets</i> (Editor: Anil Markandya)
CSRM	<i>Corporate Social Responsibility and Management</i> (Editor: Sabina Ratti)
PRIV	<i>Privatisation, Regulation, Antitrust</i> (Editor: Bernardo Bortolotti)
ETA	<i>Economic Theory and Applications</i> (Editor: Carlo Carraro)
CTN	<i>Coalition Theory Network</i>

2004 SERIES

CCMP	<i>Climate Change Modelling and Policy</i> (Editor: Marzio Galeotti)
GG	<i>Global Governance</i> (Editor: Carlo Carraro)
SIEV	<i>Sustainability Indicators and Environmental Valuation</i> (Editor: Anna Alberini)
NRM	<i>Natural Resources Management</i> (Editor: Carlo Giupponi)
KTHC	<i>Knowledge, Technology, Human Capital</i> (Editor: Gianmarco Ottaviano)
IEM	<i>International Energy Markets</i> (Editor: Anil Markandya)
CSRM	<i>Corporate Social Responsibility and Management</i> (Editor: Sabina Ratti)
PRA	<i>Privatisation, Regulation, Antitrust</i> (Editor: Bernardo Bortolotti)
ETA	<i>Economic Theory and Applications</i> (Editor: Carlo Carraro)
CTN	<i>Coalition Theory Network</i>