

Hellwig, Martin

**Article**

## Incomplete-information games in large populations with anonymity

Theoretical Economics

**Provided in Cooperation with:**

The Econometric Society

*Suggested Citation:* Hellwig, Martin (2022) : Incomplete-information games in large populations with anonymity, Theoretical Economics, ISSN 1555-7561, The Econometric Society, New Haven, CT, Vol. 17, Iss. 1, pp. 461-506, <https://doi.org/10.3982/TE4066>

This Version is available at:

<https://hdl.handle.net/10419/253514>

**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.*



<https://creativecommons.org/licenses/by-nc/4.0/>

# Incomplete-information games in large populations with anonymity

MARTIN F. HELLWIG

Max Planck Institute for Research on Collective Goods

The paper provides theoretical foundations for models of strategic interdependence under uncertainty that have a continuum of agents and a decomposition of uncertainty into a macro component and an agent-specific micro component, with a law of large numbers for the latter. This macro–micro decomposition of uncertainty is implied by a condition of *exchangeability* of agents' types, which holds at the level of the prior if and only if it also holds at the level of agents' beliefs, i.e., posteriors. Under an additional condition of anonymity in payoffs, agents' behaviors are fully determined by their beliefs about the cross-section distribution of types and other macro variables, and by their beliefs about the cross-section distribution of other agents' strategies. Any probability distribution over cross-section distributions of types and other macro variables is compatible with a fully specified belief system, but not every function from types to such probability distributions is compatible with a common prior. The paper gives necessary and sufficient conditions for compatibility of such a function with a common prior.

**KEYWORDS.** Incomplete-information games, large populations, belief functions, common priors, exchangeability, conditional independence, conditional exact law of large numbers.

**JEL CLASSIFICATION.** C70, D82, D83.

## 1. INTRODUCTION

This paper develops theoretical foundations for the study of incomplete-information games with the following properties:

- The payoff to any one agent depends only on an unknown exogenous parameter that affects all agents, on the agent's own characteristics and actions, and on the cross-section distribution of actions in the population.<sup>1</sup>

---

Martin F. Hellwig: [hellwig@coll.mpg.de](mailto:hellwig@coll.mpg.de)

This paper originated in the challenge posed by a referee asking for the mathematical foundations of the analysis of common priors in Hellwig (2011), an early version of Section 3.2 of this paper. For helpful discussions and advice, I am very grateful to three referees as well as Felix Bierbrauer, Christoph Engel, Alia Gizatulina, Peter Hammond, Christian Hellwig, and, especially, Yeneng Sun.

<sup>1</sup>Throughout the paper, I use the term “cross-section distribution” for the sample distribution of a variable in a population. I use the term “cross section” to avoid confusion with the probability distribution of the variable for any given agent. The actual cross-section distribution of a variable in a population is itself the realization of a random variable in the given state of the world.

- There are many agents, and each agent considers the effect of his own actions on the cross-section distribution of actions to be negligible.
- Uncertainty about types can be decomposed into a macro component and a micro component, where the micro component is idiosyncratic, is agent-specific, and satisfies a conditional law of large numbers.

Such games are not covered by the standard approach to studying strategic interdependence with incomplete information, which considers games with finitely many participants, where each participant forms beliefs about every other participant's characteristics and actions. This approach foregoes the simplifications that are available if agents care only about the cross-section distribution of the other agents' actions and any one agent is too insignificant to affect the cross-section distribution of actions in the population.

### *Examples*

*Currency attacks and bank runs.* In models of currency attacks and bank runs, the payoff to an agent's choice to attack or to run depends on the fundamentals and on how many agents are also choosing to attack or to run. Any one agent is, therefore, concerned about the fraction of people in the population who have received bad signals and are likely to speculate against the currency or run on the bank.<sup>2</sup>

*Insider trading and market microstructure.* Strategic behavior in markets with asymmetric information depends on agents' expectations about the relative importance of information trading and liquidity trading. In organized markets in which the identities of traders are not revealed, these expectations concern the distribution of characteristics among the potential traders as well as the fundamentals.<sup>3</sup>

*Electoral competition and voting.* In voting, the identities of individuals are irrelevant. Only the fractions of the population that vote for or against the given alternatives matter. In models of strategic voting, people form expectations about the distribution of other people's votes. This distribution depends on the distribution of other people's characteristics, i.e., preference parameters or realizations of information variables, and on how these characteristics affect their votes.<sup>4</sup>

*Public-good provision and taxation.* Models of income taxation usually assume a continuum of agents, with private information about individual productivity and with a law of large numbers for the cross-section productivity distribution.<sup>5</sup> Models of public-good provision usually assume a finite number of agents, with private information about preference parameters; public-good provision levels depend on aggregates of the preference parameters, e.g., the aggregate marginal benefit of an additional unit of the public

---

<sup>2</sup>On bank runs, see Bryant (1980), Diamond and Dybvig (1983), Postlewaite and Vives (1987), Chari and Jagannathan (1988), Rochet and Vives (2004), and Goldstein and Pauzner (2005); on currency attacks, see Morris and Shin (1998) and Re C. Hellwig (2002).

<sup>3</sup>See, e.g., Kyle (1985, 1989).

<sup>4</sup>See, e.g., Lindbeck and Weibull (1987) and Alesina and Tabellini (1990).

<sup>5</sup>Mirrlees (1971).

good. The analysis of public-good provision and income taxation can be integrated in a model with a large population in which aggregate outcomes depend only on cross-section distributions of individual productivity levels and of preference parameters. In a large economy, these distributions are independent of any one agent's characteristics, and in a mechanism design approach, the distribution of reported characteristics is independent of any one agent's report.<sup>6</sup>

The literature dealing with these examples contains models with private values as well as models with common values. In models with private values, an agent's information about other agents matters only because it provides information about the other agents' behaviors and about the implications of the agent's own choices for equilibrium outcomes. In models with common values, an agent's information about other agents also matters because this information has a direct effect on the agent's own assessment about the payoff implications of different choices that he or she can make. For example, the bank run model of [Diamond and Dybvig \(1983\)](#) involves purely private values: Each agent is only concerned with his or her own liquidity needs; this is true even in the version of the model with aggregate risk. With randomness in aggregate liquidity needs, each agent is concerned that if too many of the other agents need to make early withdrawals, the bank may fail, but this is not a concern about whether the other agents have an information advantage. In contrast, the bank run models of [Chari and Jagannathan \(1988\)](#), [Rochet and Vives \(2004\)](#), and [Goldstein and Pauzner \(2005\)](#) involve common values:<sup>7</sup> Each agent fears that the bank may become insolvent because of poor returns on its assets, and each agent fears that, with better information about the bank's returns on assets, other agents may be ahead in the line for withdrawals.<sup>8</sup> The formalism developed in this paper can deal with both private value and common value specifications.

### *Issues*

The notion that any one agent is too insignificant to affect aggregate outcomes is most often formalized by assuming that there is a continuum of agents. Uncertainty is decomposed into an aggregate component and an agent-specific component, and a law of large numbers is assumed for the latter.

This procedure raises several questions. First, what is the relation between these models and the standard Harsanyi–Mertens–Zamir model of strategic interdependence under incomplete information? Second, should we think of the decomposition of uncertainty into macro (aggregate) and micro (agent-specific) components as being introduced ad hoc or can this decomposition itself be derived from some deeper properties

---

<sup>6</sup>See [Bierbrauer \(2009, 2014\)](#) and [Bierbrauer and Hellwig \(2015\)](#).

<sup>7</sup>The bank run model of [Postlewaite and Vives \(1987\)](#) is a hybrid, as each individual agent has private information about the other agents' liquidity needs.

<sup>8</sup>Since [Morris and Shin \(1998\)](#), the literature on currency attacks and bank runs has assumed that each agent privately observes a noisy signal of the fundamental. Given the observation of this signal, the agent forms expectations about the value of the fundamental and about the population share of the set of people who will choose to participate in a currency attack or a bank run. If the chances are good that this population share is high enough for the attack to be successful, the agent will also choose to participate. In addition to [Morris and Shin \(1998\)](#), see [C. Hellwig \(2002\)](#) and [Angeletos and Werning \(2006\)](#).

of the models? Third, how should we deal with the mathematical difficulties inherent in the notion of a continuum of agents with agent-specific uncertainty?

The standard model of incomplete information relies on the notion of *types* that was introduced by Harsanyi (1967/1968) and formalized by Mertens and Zamir (1985). If  $A$  is the set of agents, then, for each  $a \in A$ , there is a set  $T_a$  of possible types of agent  $a$  and, for each type  $t_a \in T_a$ , a belief  $b_a(\cdot|t_a)$  of agent  $a$  with the type  $t_a$ . The belief  $b_a(\cdot|t_a)$  is a probability distribution over vectors  $(t_{a'})_{a' \neq a}$  of types of the other agents. Heuristically, we may think of agents using the information provided by the observation of their own types to form probabilistic beliefs about the other agents' types.

In one version of this approach, which was promoted by Harsanyi himself, agents' beliefs are treated as conditional probabilities under a common prior. Agents' types are determined by a move of nature, whose "strategy" is embodied in some commonly known prior probability distribution over type constellations. The game of incomplete information is thus treated as a game of *imperfect* information in which agents know the strategy, but not the actual choices of nature.

The common-prior approach to modelling incomplete information has the advantage that it provides a unified framework for modelling uncertainty, information and beliefs. Therefore, in most of this paper, I assume that there is a common prior. In the concluding section, however, I argue that the condition of anonymity in beliefs can be applied to the belief  $b_a(\cdot|t_a)$  even if this belief is not derived from a common prior.<sup>9</sup>

### *Anonymity*

The main contribution of the analysis is to show that, in models with a continuum of agents, the properties listed above are implied by conditions of *anonymity*, which ensure that agents' names play no role. Most importantly, a condition of *anonymity in beliefs* ensures that each agent  $a$  with type  $t_a$  and probabilistic belief  $b_a(\cdot|t_a)$  thinks about the types  $t_{a'}$  of agents  $a' \neq a$  as the realizations of *essentially pairwise exchangeable random variables* so that, for almost all  $a'$  and  $a'' \neq a'$ , the joint distribution of their types under the belief  $b_a(\cdot|t_a)$  is unchanged if their names are interchanged.

A second condition, *anonymity in payoffs*, postulates that an agent's payoff from any action depends on the other agents' actions *only* through the cross-section distribution of these actions. Which of the other agents is taking which action makes no difference as long as the cross-section distribution of actions is the same.

If both anonymity conditions hold, in payoffs and in beliefs, the agent's expected payoff from any action depends on his or her expectations about other agents *only* through the agent's probabilistic expectations about the cross-section distributions of the other agents' types that are induced by the belief  $b_a(\cdot|t_a)$  and through the cross-section distribution of the other agents' strategy functions that map their types into actions.

Anonymity in beliefs has the important implication that, from the perspective of agent  $a$  with belief  $b_a(\cdot|t_a)$ , the other agents' types are essentially conditionally independent and identically distributed random variables. The conditioning variable, relative

<sup>9</sup>For the controversy about the common-prior approach, see Gul (1998) and Aumann (1998).

to which the other agents' types are conditionally independent, can be identified with the cross-section distribution of types. Moreover, with a continuum of agents, an exact law of large numbers implies that the cross-section distribution of types and the conditional probability distribution of any one agent's type coincide.<sup>10</sup> The decomposition of uncertainty into an aggregate component and an agent-specific component is an automatic by-product of exchangeability: I refer to the former as the *macro component* of uncertainty and to the latter as the *micro component* of uncertainty. The macro component concerns the cross-section distribution of types; the micro component concerns the type of any one agent.

From a game theoretic perspective, the property of anonymity in beliefs, i.e., exchangeability at the level of conditional distributions, is particularly important because choices depend on beliefs. However, if beliefs are derived from a common prior, exchangeability at the level of beliefs implies exchangeability at the level of the prior. In this case, exchangeability can also be seen as a property of the common prior or of the real world that the model tries to capture.

### *The mathematical conundrum*

With a continuum of agents, the formalization of the space of agents, of the underlying probability space, and of the random variables that determine agents' types requires care. With finitely many agents, the vectors  $(t_{a'})_{a' \in A}$  of types of all agents and  $(t_{a'})_{a' \in A \setminus \{a\}}$  of types of agents other than  $a$  (about which agent  $a$  forms beliefs) can simply be treated as elements of the finite-dimensional product spaces  $\prod_{a' \in A} T_{a'}$  and  $\prod_{a' \in A \setminus \{a\}} T_{a'}$ . With a continuum of agents, the product spaces  $\prod_{a' \in A} T_{a'}$  and  $\prod_{a' \in A \setminus \{a\}} T_{a'}$  are unsuitable because, for any given element  $\{t_{a'}\}$  of such a space, the mapping  $a' \mapsto t_{a'}$  may be non-measurable so that the cross-section distributions of types is not well defined. In particular, if  $A$  is the Lebesgue unit interval and the types  $t_{a'}$  of different agents are assumed to be the realizations of (conditionally) independent random variables with non-trivial individual uncertainty, the functions  $a' \mapsto t_{a'}$  are nonmeasurable with probability 1.<sup>11</sup>

To deal with this conundrum, Sun (2006) proposed to make the families of measurable sets so large that cross-section distributions are always well defined. If we think of the type  $t_{a'}$  of agent  $a'$  as the realization of a random variable  $\tilde{t}_{a'}(\cdot)$  that is defined on some probability space, the idea is to assume that the family of measurable sets on  $A \times \Omega$ , the product of the space of agents and the underlying probability space, is large enough so that, for any bounded measurable function  $f$  on  $A \times \Omega$ , integration of the function

$$(a', \omega) \mapsto f(a', \tilde{t}_{a'}(\omega))$$

<sup>10</sup>The insight that exchangeability is equivalent to conditional independence relative to some underlying  $\sigma$ -algebra is known as de Finetti's theorem; see de Finetti (1931, 1970/1974).

<sup>11</sup>This problem was first identified by Doob (1937, 1953). For early accounts in economics, see Judd (1985) and Feldman and Gilles (1985).

with respect to agents' names and with respect to states of the world is well defined; moreover, the integrals have the Fubini property that the order of integration does not make a difference to the result.<sup>12</sup>

Given this formalism, Sun showed that a continuum of essentially pairwise independent and identically distributed random variables satisfies an exact law of large numbers; moreover, if the specified family of measurable sets is sufficiently rich, there is no restriction on the probability distribution of the random variables in question. Qiao et al. (2016) prove the analogous results for families of conditionally independent random variables. Hammond and Sun (2003, 2008) study conditional independence in what they call a Monte Carlo approach, considering the limiting behavior of distributions obtained from sequences of conditionally independent random variables. Hammond and Sun (2003, 2008) also established the equivalence between essential pairwise exchangeability and essential pairwise conditional independence with identical conditional probability distributions. Qiao et al. (2016) show in addition that in a framework with a Fubini extension, the exact conditional law of large numbers implies that the identical conditional probability distributions are equal to the sample cross-section distributions.

#### *Exchangeability and conditional exchangeability*

In this paper, the results of Hammond and Sun (2003, 2008) and Qiao et al. (2016) cannot be directly applied because they refer to a single underlying probability space. They can be applied to the common prior, but then the question is what that implies for the different agents' beliefs at different types. This question is unimportant if agents are taken to behave as price takers and their thinking about others is limited to the question of what inferences can be drawn from the observation of market prices as well as their own types.

The question is important, however, in more general fully specified models of strategic behavior, where agents must form beliefs about the types (including the information) of other agents. In this case, a proper treatment of anonymity requires a notion of exchangeability at the level of beliefs. If beliefs are treated as conditional probability distributions, the question is what exchangeability at the level of beliefs means for the level of the prior. If beliefs are taken to be unrelated to a prior, the question is whether there are ways to glue together the different probability spaces that correspond to the different beliefs.

For a common-prior setting, with beliefs interpreted as conditional distributions, this paper shows that the property of anonymity in beliefs is actually equivalent to the property of exchangeability at the level of the prior. More precisely, essential pairwise exchangeability of different agents' types at the level of the prior holds if and only if, under

---

<sup>12</sup>Subsequent work refines this approach. See, in particular, Sun and Zhang (2009), Podczeck (2010), and Qiao et al. (2016). Hammond and Sun (2003, 2008) develop a related approach that involves the limits of arbitrarily large finite samples from the given measure space of agents.



almost every agent's beliefs, the other agents' types are essentially pairwise exchangeable, i.e., satisfy anonymity in beliefs with probability 1. I refer to the latter condition as *essential conditional pairwise exchangeability*.<sup>13</sup>

### *The macro–micro distinction*

At both levels—the level of the prior as well as the level of the beliefs of a given agent with a given type—the results of Hammond and Sun (2003, 2008) and Qiao et al. (2016) can be used to show that if essential (conditional) pairwise exchangeability holds, then (other) agents' types are essentially pairwise conditionally independent and a conditional exact law of large numbers holds. These results provide a link between exchangeability (anonymity) and the decomposition of uncertainty into a *macro component*, the cross-section distribution of types, and a *micro component*, each agent's individual type, which is idiosyncratic, conditional on the macro component. Further results of Hammond and Sun (2006) imply that in common-value models, where macro uncertainty also concerns shocks to underlying fundamentals that all agents care about, the macro component may be taken to comprise the fundamentals as well as the cross-section distributions of agents' types.

The macro–micro distinction should not be confused with the distinction between common priors and individual agents' beliefs. Although the common prior refers to the system as a whole and the beliefs refer to individual agents, with exchangeability, *both* the common prior and the individual beliefs conceptualize uncertainty about (other) agents' types as a matter of first considering probability distributions over macro variables (including the cross-section distribution of types) and then considering conditional probability distributions over (other) agents' types given the macro variables and given the property of conditional independence given the macro variables.

If types are exchangeable under a common prior, the results of Hammond and Sun (2003, 2008) and Qiao et al. (2016) imply that a macro–micro decomposition of uncertainty is obtained at the level of the prior. For beliefs that are treated as conditional distributions under the prior, the results of this paper show that the same macro–micro decomposition of uncertainty is also obtained at the level of individual beliefs.

In most applied work, the macro–micro decomposition is imposed at the level of the prior, taken as a representation of “objective” uncertainty. The analysis of strategic behavior, however, needs this decomposition at the level of beliefs. The link is provided through the equivalence of exchangeability and conditional exchangeability. It should be noted, however, that in the absence of a common prior, one can still show that anonymity in beliefs induces a decomposition of uncertainty into a macro and a micro component at the level of beliefs.

---

<sup>13</sup>The word “essential” here takes a wider meaning. The term “essential pairwise exchangeability” indicates that exchangeability holds for almost all pairs of agents. “Essential conditional pairwise exchangeability” indicates that, for almost every agent, under the agent's conditional distribution over other agents' types given the agent's own type, essential pairwise exchangeability of other agents' types holds almost surely.



### *Macro uncertainty and macro beliefs*

Anonymity in beliefs implies that the probabilistic belief  $b_a(\cdot|t_a)$  of agent  $a$  with type  $t_a$  about the other agents' types is fully determined by what I call the agent's *macro belief*  $b_a^*(\cdot|t_a)$  about the cross-section distribution of the other agents' types and about any other macro variable. Given the macro belief  $b_a^*(\cdot|t_a)$ , the underlying belief  $b_a(\cdot|t_a)$  about the overall constellation of other agents' types can be recovered by observing that the agent considers the other agents' types to be conditionally independent and identically distributed with a common conditional probability distribution that coincides with the cross-section distribution of other agents' types.

Similarly, at the level of the prior, with a decomposition of uncertainty into a macro component and a micro component, the macro component is summarized in the joint probability distribution over cross-section distributions of types and other macro variables that is induced by the common prior. From this probability distribution, the common prior itself can be recovered by using the fact that, conditional on the cross-section distribution of types and other macro variables, the types of different agents are essentially pairwise independent with a common conditional probability distribution equal to the cross-section distribution.

Given that this exercise can always be carried out, the requirement that a probability distribution on cross-section distributions of types can generate a common-prior model of incomplete information imposes no restriction on the scope of admissible macro uncertainty. *Any* probability distribution on cross-section distributions of types and other macro variables can be used as a basis for such a model.

Not every macro belief function, however, is compatible with a common prior. Whereas every probability distribution over cross-section distributions of types can be used to specify a common prior with associated belief and macro belief functions, *not every* macro belief function, and therefore not every belief function that satisfies anonymity in beliefs, is compatible with the existence of a common prior. If the values of the macro belief function, i.e., the probability distributions over cross-section type distributions that are induced by different observations of one's own type are mutually absolutely continuous, I show that the macro belief function admits the existence of a common prior if and only if it satisfies a version of [Harsanyi's \(1967/1968\)](#) consistency condition for the existence of a common prior in a certain two-player game of incomplete information.

### *Plan of the paper*

The paper is structured as follows. , Section 2 develops the game theoretic formalism; Section 3 studies the scope for macro uncertainty and macro belief functions. Section 2.1 begins with a general formulation of a strategic game with an atomless continuum of players whose types are the realizations of random variables on a complete probability space. An assumption of anonymity in payoffs specializes the analysis to games in which agents care *only* about the distribution of other agents' actions, not about who does what. The formalism of a Fubini extension (of the product of the space of agents and the probability space) ensures that such distributions are well defined.

Section 2.2 introduces the properties of anonymity in beliefs and exchangeability of types, and proves the equivalence result mentioned above. Section 2.3 shows that both properties are also equivalent to properties of conditional independence with identical conditional distributions and give rise to a macro–micro decomposition of uncertainty. Section 2.4 extends the results of Section 2.3 to allow for conditioning on other macro variables as well as the cross-section distribution of types. Given the macro–micro decomposition of uncertainty that is thereby obtained, Section 2.3 shows that all strategically relevant aspects of agents' beliefs are contained in their macro beliefs. The distribution of agents' strategies is then shown to be the key variable for studying strategic interdependence and equilibrium.

Section 3.1 shows that if the Fubini extension is sufficiently rich, then, from an ex ante perspective, the formalism imposes no restriction on the scope of macro uncertainty, i.e., for any probability distribution over cross-section distributions of types and other macro variables, there exists a specification of the different agents' types as essentially pairwise exchangeable random variables that generates the specified probability distribution over cross-section type distributions and other macro variables. Section 3.2 gives necessary and sufficient conditions under which a given macro belief function, i.e., a given function from an agent's own type to the agent's probabilistic beliefs about the cross-section distribution of types, is compatible with a common prior.

The concluding section discusses open issues.

All proofs are given in Appendix A. Appendix B gives a self-contained treatment of essential conditional pairwise exchangeability and the equivalence with essential pairwise exchangeability under a prior.

## 2. INCOMPLETE-INFORMATION GAMES WITH A CONTINUUM OF AGENTS

### 2.1 Agents, types, and anonymity in payoffs

Let  $(A, \mathcal{A}, \alpha)$  be a complete atomless measure space of agents with  $\alpha(A) = 1$ . Given this space of agents, consider imperfect-information games with the following structure. First, nature chooses an exogenous parameter  $\theta$  from some set  $\Theta$  and, for each agent  $a$ , a type  $t_a$  from a set  $T_a$ . Then each agent  $a$  observes his or her own type  $t_a$  and chooses an action  $s_a$  from a set  $S_a$ . Given the exogenous parameter  $\theta$ , the type  $t_a$ , the action  $s_a$ , and the actions  $s_{a'}$  of the other agents,  $a' \in A_{-a} := A \setminus \{a\}$ , agent  $a$  receives the payoff  $u_a(\theta, t_a, s_a, \{s_{a'}\}_{a' \in A_{-a}})$ . The properties of the function  $u_a$  are discussed later.

Because the agent observes  $t_a$  before choosing an action, the action  $s_a$  is likely to depend on  $t_a$ . A *strategy* for the agent is a function  $\sigma(\cdot, a)$  from  $T_a$  to  $S_a$  that indicates how the chosen action depends on  $t_a$ .

To model the moves of nature, I assume that there is a complete probability space  $(\Omega, \mathcal{F}, P)$ , a  $\Theta$ -valued random variable  $\tilde{\theta}(\cdot)$ , and, for each  $a' \in A$ , a random variable  $\tau(\cdot, a')$ , both on  $(\Omega, \mathcal{F}, P)$ , such that  $\theta$  is the realization of the random variable  $\tilde{\theta}(\cdot)$  and, for each  $a' \in A$ , the type of agent  $a'$  is the realization of the random variable  $\tau(\cdot, a')$ . Given this stochastic specification, a strategy  $\sigma(\cdot, a)$  of agent  $a$  is a *best response* to the

strategies  $\sigma(\cdot, a')$  of agents  $a' \in A_{-a}$  if

$$\begin{aligned} & \int_{\Omega} u_a(\tilde{\theta}(\omega), \tau(\omega, a), \sigma(\tau(\omega, a), a), \{\sigma(\tau(\omega, a'), a')\}_{a' \in A_{-a}}) dP(\omega) \\ & \geq \int_{\Omega} u_a(\tilde{\theta}(\omega), \tau(\omega, a), \hat{\sigma}(\tau(\omega, a), a), \{\sigma(\tau(\omega, a'), a')\}_{a' \in A_{-a}}) dP(\omega) \end{aligned} \quad (2.1)$$

for all strategies  $\hat{\sigma}(\cdot, a)$  that agent  $a$  might choose. A *non-cooperative equilibrium* is a strategy constellation  $\{\sigma \cdot, a'\}_{a' \in A}$  such that, for (almost) all  $a \in A$ ,  $\sigma(\cdot, a)$  is a best response to  $\{\sigma(\cdot, a')\}_{a' \in A \setminus \{a\}}$ .

To understand this specification, consider the example of a bank run. In the private-values specification of [Bryant \(1980\)](#) or [Diamond and Dybvig \(1983\)](#), there is no macro variable  $\tilde{\theta}(\cdot)$  that plays a role. Each agent observes his or her own type  $\tau(\omega, a)$ , to be interpreted as the agent's degree of patience. The agent's action  $s_a = \sigma(\tau(\omega, a), a)$ , withdrawing funds from the bank or not, can be made to depend on  $\tau(\omega, a)$ ; it also depends on the agent's expectations about the other agents' behaviors, as indicated by the term  $\{\sigma(\tau(\omega, a'), a')\}_{a' \in A_{-a}}$ . In the absence of any other information about the other agents, this effect is implicit in the dependence of the action  $\sigma(\tau(\omega, a), a)$  on  $\tau(\omega, a)$  and on the information that is contained in the observation that the agent's own type takes the value  $\tau(\omega, a)$ .

In the common-value specifications of [Rochet and Vives \(2004\)](#) and [Goldstein and Pauzner \(2005\)](#), there is a macro variable  $\tilde{\theta}(\cdot)$  that plays a role, namely the underlying fundamental that determines the bank's solvency, e.g., the quality of the bank's assets. In these models, the fundamental itself is not observed, but each agent's type includes a possibly noisy signal about the fundamental as well as (or instead of) the agent's degree of patience or any other preference parameter. The dependence of the choice  $\sigma(\tau(\omega, a), a)$  on the type  $\tau(\omega, a)$  reflects not only the information about the other agents' preference parameters, but also the information about the other agents' signals about the fundamental that is contained in the observation that the agent's own type takes the value  $\tau(\omega, a)$ .

Without loss of generality, I assume that the type space  $T_a$  and the action space  $S_a$  are the same for all agents, i.e., for some  $T$  and  $S$ ,  $T_a = T$  and  $S_a = S$  for all  $a \in A$ .<sup>14</sup> I also assume that the parameter space  $\Theta$ , the type space  $T$ , and the action space  $S$  are complete separable metric spaces; they are endowed with the Borel  $\sigma$ -algebras  $\mathcal{B}(\Theta)$ ,  $\mathcal{B}(T)$ , and  $\mathcal{B}(S)$ , and the spaces  $\mathcal{M}(\Theta)$ ,  $\mathcal{M}(T)$ , and  $\mathcal{M}(S)$  of probability measures on  $\Theta$ ,  $T$ , and  $S$  are endowed with the topology of weak convergence and the associated Borel  $\sigma$ -algebras  $\mathcal{B}(\mathcal{M}(\Theta))$ ,  $\mathcal{B}(\mathcal{M}(T))$ , and  $\mathcal{B}(\mathcal{M}(S))$ .

The best-response condition (2.1) depends on the other agents' names. In the dependence of the payoff  $u_a$  on  $\{s_{a'}\}_{a' \in A_{-a}}$ , it can make a difference whether action  $s' \in S$  is taken by agent  $a'$  and action  $s''$  is taken by agent  $a''$  or the other way around. The following assumption eliminates this possibility.

<sup>14</sup>If different agents had different type spaces or action spaces, one could always replace them by the union of type spaces and the union of action spaces, with suitable assumptions about  $\tau$  and  $u_a$ ,  $a \in A$ , ensuring that the "added" types and actions are irrelevant.

**Anonymity in Payoffs.** There exists a continuous function  $u_a^* : \Theta \times T \times S \times \mathcal{M}(S)$  such that

$$u_a(\theta, t_a, s_a, \{s_{a'}\}_{a' \in A_{-a}}) = u_a^*(\theta, t_a, s_a, D(\{s_{a'}\}_{a' \in A_{-a}})) \tag{2.2}$$

for all  $a \in A$ , for all  $\theta \in \Theta$ ,  $t_a \in T_a$ ,  $s_a \in S_a$ , and all constellations  $\{s_{a'}\}_{a' \in A_{-a}}$  of actions of agents  $a' \in A_{-a}$  for which the cross-section distribution  $D(\{s_{a'}\}_{a' \in A_{-a}})$  is well defined.

Anonymity in payoffs implies that agent  $a$ 's payoff depends on the other agents' actions only through the cross-section distribution  $D(\{s_{a'}\}_{a' \in A_{-a}})$ . This property implies, in particular, that the agent's payoff is unchanged under any permutation of the other agents' names.<sup>15</sup>

The cross-section distribution  $D(\{s_{a'}\}_{a' \in A_{-a}})$  is a measure on  $S$  such that, for any set  $B \in \mathcal{B}(S)$ ,

$$D(\{s_{a'}\}_{a' \in A_{-a}})(B) = \alpha_{-a}(\{a' \in A_{-a} | s_{a'} \in B\}).$$

For this measure to be well defined, the map  $a' \mapsto s_{a'}$  must be measurable. For

$$\{s_{a'}\}_{a' \in A_{-a}} = \{\sigma(\tau(\omega, a'), a')\}_{a' \in A_{-a}},$$

this requirement is satisfied if the mappings  $a' \mapsto \tau(\omega, a')$  and  $(t, a') \mapsto \sigma(t, a')$  are measurable.

Since  $\tau$  is part of the exogenous data, measurability of  $\tau$  is imposed by assumption. Following Sun (2006) and Qiao et al. (2016), I assume that  $\tau$  is measurable with respect to a Fubini extension of the product  $\sigma$ -algebra  $\mathcal{F} \otimes \mathcal{A}$ . To make this assumption precise, I first define the concept of a Fubini extension.

**Fubini Extension.** Given two complete probability spaces  $(\Omega, \mathcal{F}, P)$  and  $(I, \mathcal{I}, \lambda)$ , the probability space  $(\Omega \times I, \mathcal{W}, Q)$  is a *Fubini extension* of the product space  $(\Omega \times I, \mathcal{F} \otimes \mathcal{I}, P \otimes \lambda)$  if  $\mathcal{F} \otimes \mathcal{I} \subset \mathcal{W}$ ,  $Q|_{\mathcal{F} \otimes \mathcal{I}} = P \otimes \lambda$ , and, for any real-valued  $Q$ -integrable function  $f$  on  $(\Omega \times I, \mathcal{W})$ , (i) the sections  $f(\cdot, i)$  and  $f(\omega, \cdot)$  are integrable, respectively, on  $(\Omega, \mathcal{F}, P)$  for  $\lambda$  almost all  $i \in I$  and on  $(I, \mathcal{I}, \lambda)$  for  $P$ -almost all  $\omega \in \Omega$ , and (ii) the functions

$$i \mapsto \int_{\Omega} f(\omega, i) dP(\omega) \quad \text{and} \quad \omega \mapsto \int_I f(\omega, i) d\lambda(i) \tag{2.3}$$

---

<sup>15</sup>If the measure space  $(A, \mathcal{A}, \alpha)$  is homogeneous, for example, if  $(A, \mathcal{A}, \alpha)$  is a hyperfinite Loeb space, invariance to measurable permutations of agents' names is in fact *equivalent* to the requirement that the other agents' actions affect the agent's payoff only through their cross-section distribution; see Khan et al. (1999, Section 4). Notice that the Lebesgue unit interval is not homogeneous, so the requirement that the other agents' actions affect the agent's payoff only through their cross-section distribution is actually stronger than the requirement of invariance to measurable permutations of agents' names. The reason is that the Lebesgue  $\sigma$ -algebra is based on neighborhood structures and, therefore, the set of measurable permutations of names is smaller than required for equivalence.

are integrable, respectively, on  $(I, \mathcal{I}, \lambda)$  and  $(\Omega, \mathcal{F}, P)$  with

$$\begin{aligned} \int_{\Omega \times I} f(\omega, i) dQ &= \int_{\Omega} \left[ \int_I f(\omega, i) d\lambda(i) \right] dP(\omega) \\ &= \int_I \left[ \int_{\Omega} f(\omega, i) dP(\omega) \right] d\lambda(i). \end{aligned} \tag{2.4}$$

REMARK 1. Given two complete probability spaces  $(\Omega, \mathcal{F}, P)$  and  $(I, \mathcal{I}, \lambda)$ , and a Fubini extension  $(\Omega \times I, \mathcal{W}, Q)$  of the product space  $(\Omega \times I, \mathcal{F} \otimes \mathcal{I}, P \otimes \lambda)$ , let  $f$  be a  $\mathcal{W}$ -measurable function from  $\Omega \times I$  to a complete separable metric space  $X$ , with Borel  $\sigma$ -algebra  $\mathcal{B}(X)$ . Then, for  $P$ -almost all  $\omega \in \Omega$ , the cross-section distribution

$$D(\{f(\omega, i)\}_{i \in I}) := \lambda \circ f(\omega, \cdot)^{-1} \tag{2.5}$$

is well defined and the mapping

$$\omega \mapsto D(\{f(\omega, i)\}_{i \in I}) \tag{2.6}$$

from  $(\Omega, \mathcal{F})$  into the space  $\mathcal{M}(X)$  of probability measures on  $X$  is measurable, where  $\mathcal{M}(X)$  is endowed with the Borel  $\sigma$ -algebra  $\mathcal{B}(\mathcal{M}(X))$  that is induced by the topology of weak convergence on  $\mathcal{M}(X)$ .

To reflect the fact that a given Fubini extension  $(\Omega \times I, \mathcal{W}, Q)$  of the product  $(\Omega \times I, \mathcal{F} \otimes \mathcal{I}, P \otimes \lambda)$  has  $(\Omega, \mathcal{F}, P)$  and  $(I, \mathcal{I}, \lambda)$  as its marginal spaces, I write  $\mathcal{W} = \mathcal{F} \boxtimes \mathcal{I}$  and  $Q = P \boxtimes \lambda$ , so the notation  $(\Omega \times I, \mathcal{F} \boxtimes \mathcal{I}, P \boxtimes \lambda)$  refers to a Fubini extension of the product  $(\Omega \times I, \mathcal{F} \otimes \mathcal{I}, P \otimes \lambda)$ .

As a matter of notation, I will sometimes identify the space  $(I, \mathcal{I}, \lambda)$  in the definition of a Fubini extension with the space  $(A, \mathcal{A}, \alpha)$  of all agents and sometimes with the space  $(A_{-a}, \mathcal{A}_{-a}, \alpha_{-a})$  of all agents other than  $a$ , where  $\mathcal{A}_{-a}$  is the  $\sigma$ -algebra of sets in  $\mathcal{A}$  that do not contain  $a$  and  $\alpha_{-a} := \alpha|_{\mathcal{A}_{-a}}$  is the restriction of the measure  $\alpha$  to  $\mathcal{A}_{-a}$ . One easily checks that if  $(\Omega \times A, \mathcal{F} \boxtimes \mathcal{A}, P \boxtimes \alpha)$  is a Fubini extension of the product  $(\Omega \times A, \mathcal{F} \otimes \mathcal{A}, P \otimes \alpha)$ , then, for any  $a \in A$ ,  $(\Omega \times A_{-a}, \mathcal{F} \boxtimes \mathcal{A}_{-a}, P \boxtimes \alpha_{-a})$  is a Fubini extension of the product  $(\Omega \times A_{-a}, \mathcal{F} \otimes \mathcal{A}_{-a}, P \otimes \alpha_{-a})$ , where  $\mathcal{F} \boxtimes \mathcal{A}_{-a}$  is the family of sets  $X \subset \Omega \times A_{-a}$  such that  $X = Y \setminus (\Omega \times \{a\})$  for some  $Y \in \mathcal{F} \boxtimes \mathcal{A}$  for some  $X = Y \setminus (\Omega \times \{a\})$  for some  $Y \in \mathcal{F} \boxtimes \mathcal{A}$  and  $P \boxtimes \alpha_{-a}$  is the restriction of  $P \boxtimes \alpha$  to  $\mathcal{F} \boxtimes \mathcal{A}_{-a}$ .

The product  $(\Omega \times I, \mathcal{F} \otimes \mathcal{I}, P \otimes \lambda)$  typically admits many Fubini extensions; indeed,  $(\Omega \times I, \mathcal{F} \otimes \mathcal{I}, P \otimes \lambda)$  is a Fubini extension of itself. I take one Fubini  $(\Omega \times A, \mathcal{F} \boxtimes \mathcal{A}, P \boxtimes \alpha)$  of  $(\Omega \times A, \mathcal{F} \otimes \mathcal{A}, P \otimes \alpha)$  as given throughout the paper. In Section 3, I introduce the requirement that the chosen Fubini extension be *rich*, a condition that Sun (2006) introduced as a basis for proving an exact law of large numbers for a continuum of nondegenerate random variables. Richness precludes the product space  $(\Omega \times I, \mathcal{F} \otimes \mathcal{I}, P \otimes \lambda)$ .

For the given Fubini extension, I impose the following measurability assumption.

**Measurability of Types.** The function  $\tau$  is a measurable mapping from the Fubini extension  $(\Omega \times A, \mathcal{F} \boxtimes \mathcal{A}, P \boxtimes \alpha)$  of the product probability space  $(\Omega \times A, \mathcal{F} \otimes \mathcal{A}, P \otimes \alpha)$  to the type space  $T$ .

From Remark 1, one immediately obtains two further measurability properties.<sup>16</sup>

REMARK 2. For  $P$ -almost all  $\omega \in \Omega$  and any  $a \in A$ , the cross-section distribution of types of agents other than  $a$ ,  $D(\{\tau(\omega, a')\}_{a' \in A_{-a}}) = \alpha_{-a} \circ \tau(\omega, \cdot)^{-1}$ , is well defined and the function

$$\omega \mapsto D(\{\tau(\omega, a')\}_{a' \in A})$$

is a measurable mapping from  $(\Omega, \mathcal{F})$  into  $\mathcal{M}(T)$ .

REMARK 3. Assume that the mapping  $(t, a') \mapsto \sigma(t, a')$  from  $T \times A_{-a}$  into  $S$  is measurable. Then for  $P$ -almost all  $\omega \in \Omega$  and any  $a \in A$ , the cross-section distribution of actions of agents other than  $a$ ,

$$D(\{\sigma(\tau(\omega, a'), a')\}_{a' \in A_{-a}}) = \alpha_{-a} \circ \sigma(\tau(\omega, \cdot), \cdot)^{-1},$$

is well defined and the function

$$\omega \mapsto D(\{\sigma(\tau(\omega, a'), a')\}_{a' \in A_{-a}})$$

is a measurable mapping from  $(\Omega, \mathcal{F})$  into  $\mathcal{M}(S)$ .

Given the assumption of anonymity in payoffs, Remark 3 implies that if the mapping  $(t, a') \mapsto \sigma(t, a')$  is measurable, the best-response condition (2.1) can be rewritten in the form

$$\begin{aligned} & \int_{\Omega} u_a^*(\tilde{\theta}(\omega), \tau(\omega, a), \sigma(\tau(\omega, a), a), D(\{\sigma(\tau(\omega, a'), a')\}_{a' \in A_{-a}})) dP(\omega) \\ & \geq \int_{\Omega} u_a^*(\tilde{\theta}(\omega), \tau(\omega, a), \hat{\sigma}(\tau(\omega, a), a), D(\{\sigma(\tau(\omega, a'), a')\}_{a' \in A_{-a}})) dP(\omega). \end{aligned} \quad (2.7)$$

In this formulation, agents' names still matter. To be sure, agent  $a$  cares only about the distribution  $D(\{\sigma(\tau(\omega, a'), a')\}_{a' \in A_{-a}})$  of the other agents' actions, but this distribution depends on the interplay between the type constellation  $\{t_{a'}\}_{a' \in A_{-a}}$  and the strategy constellations  $\{\sigma(\cdot, a')\}_{a' \in A_{-a}}$  of the other agents.

If the other agents all use the same (measurable) strategy  $\sigma^* : T \mapsto S$ , this interplay takes a very simple form and one has

$$D(\{\sigma(\tau(\omega, a'), a')\}_{a' \in A_{-a}}) = D(\{\tau(\omega, a')\}_{a' \in A_{-a}}) \circ (\sigma^*)^{-1}, \quad (2.8)$$

so that the agent is only concerned about the cross-section distribution of the other agents' types and does not care about which agent has which type. However, the assumption that all other agents use the same strategy is problematic because strategy choices are endogenous. With enough symmetry in the exogenous data, equilibrium strategy choices may in fact be symmetric, but that would be very special. Even if the payoff function  $u_a^*$  is the same for all  $a$ , the assumptions that I have imposed so far are not sufficient for this conclusion.

<sup>16</sup>Here and elsewhere in the paper, it is useful to recall that, if  $Q$  is a measure on a space  $X$  and  $f$  is a measurable function from  $X$  to some other space  $Y$ , then  $Q \circ f^{-1}$ , a measure on  $Y$ , indicates the distribution of  $f(x)$  that is induced when  $x$  is distributed as  $Q$ .

2.2 Anonymity in beliefs and exchangeability of types

If the other agents choose different strategies, asymmetries in the beliefs that agent  $a$  has about the types  $t_{a'}$  and  $t_{a''}$  of agents  $a'$  and  $a''$  may affect the agent's behavior. To see the role of beliefs, note that if a regular conditional distribution  $b_a(\cdot|\tau(\cdot, a))$  for  $(\theta, \{\tau(\cdot, a')\}_{a' \in A_{-a}})$  given  $\tau(\cdot, a)$  exists, one can rewrite (2.7) in the form

$$\begin{aligned} & \int_{\Omega} \int_{\Theta \times R_a} u_a^*(\theta, \tau(\omega, a), \sigma(\tau(\omega, a), a), \\ & \quad D(\{\sigma(t_{a'}, a')\}_{a' \in A_{-a}})) db_a(\theta, \{t_{a'}\}_{a' \in A_{-a}}|\tau(\omega, a)) dP(\omega) \\ & \geq \int_{\Omega} \int_{\Theta \times R_a} u_a^*(\theta, \tau(\omega, a), \hat{\sigma}(\tau(\omega, a), a), \\ & \quad D(\{\sigma(t_{a'}, a')\}_{a' \in A_{-a}})) db_a(\theta, \{t_{a'}\}_{a' \in A_{-a}}|\tau(\omega, a)) dP(\omega); \end{aligned} \tag{2.9}$$

here  $b_a(\cdot|t_a)$  is a measure on the product  $(\Theta \times R_a, \mathcal{B}(\Theta) \otimes \mathcal{R}_a)$ , where  $R_a$  is the range of the mapping  $\omega \mapsto \tau^a(\omega) := \{\tau(\omega, a')\}_{a' \in A_{-a}}$ , and  $\mathcal{R}_a$  is the coarsest  $\sigma$ -algebra on  $R_a$  under which the mapping  $\omega \mapsto \tau^a(\omega)$  from  $(\Omega, \mathcal{F})$  to  $R_a$  is measurable.

Trivially, the strategy  $\sigma(\cdot, a)$  satisfies the best-response condition (2.9) if and only if, for  $P$ -almost all  $\omega \in \Omega$ , the action  $\sigma(\tau(\omega, a), a)$  maximizes the conditional expectation

$$\int_{\Omega} \int_{\Theta \times R_a} u_a^*(\theta, \tau(\omega, a), s_a, D(\{\sigma(t_{a'}, a')\}_{a' \in A_{-a}})) db_a(\theta, \{t_{a'}\}_{a' \in A_{-a}}|\tau(\omega, a)) \tag{2.10}$$

over the set  $S$ . Maximization of (2.10) however, depends on the belief  $b_a(\cdot|\tau(\omega, a))$ . If this belief treats the types  $t_{a'}$  and  $t_{a''}$  of agents  $a'$  and  $a''$  asymmetrically, the agent's best response to the other agents' strategies will reflect this asymmetry.

To eliminate the impact of the other agents' names on agent  $a$ 's beliefs, I use a version of de Finetti's notion of *exchangeability*. The basic idea is that agent  $a$  regards the random variables  $\tau(\cdot, a')$ ,  $a' \in A$ , as being symmetric in the sense that their joint distribution is unchanged by a permutation of the agents' names. Whereas de Finetti assumed mutual exchangeability, Hammond and Sun (2006, 2008) and Qiao et al. (2016) showed that, with a large family of random variables, mutual exchangeability is essentially equivalent to pairwise exchangeability. The word "essential" refers to the fact that the properties hold for all but a negligible set of random variables in the family.

**Exchangeability.** Given two complete probability spaces  $(\Omega, \mathcal{F}, P)$  and  $(I, \mathcal{I}, \lambda)$ , and a family  $f(\cdot, i)$ ,  $i \in I$ , of  $\mathcal{F}$ -measurable functions from  $\Omega$  to a complete separable metric space  $X$  with Borel  $\sigma$ -algebra  $\mathcal{B}(X)$ , the random variables  $f(\cdot, i)$ ,  $i \in I$ , are *essentially pairwise exchangeable* if there exists a Borel probability measure  $\pi$  on  $(X \times X, \mathcal{B}(X) \times \mathcal{B}(X))$  such that,  $\lambda$ -almost all  $i_1 \in I$ ,

$$P(f(\cdot, i_1)^{-1}(B_1) \cap f(\cdot, i_2)^{-1}(B_2)) = \pi(B_1 \times B_2)$$

for  $\lambda$ -almost all  $i_2 \in I$  and for all  $B_1, B_2 \in \mathcal{B}(X)$ .



In the present context, there are two ways to think about exchangeability. First, given the role of beliefs in the objective function (2.10), one can think about exchangeability as a property of beliefs. Second, in a common-prior model, one can also think about exchangeability as a property of the initial move of nature. In the first case, exchangeability is a property of the other agents' type random variables under the beliefs of a given agent with a given type. In the second case, exchangeability is a property of all agents' types under the common prior. From the perspective of game theory, it is more interesting to consider exchangeability as a property of beliefs, because beliefs matter for individual choices, and the mapping from types to beliefs is crucial for the relation between information as embodied in beliefs and strategic behavior. In contrast, from the perspective of applied economics, exchangeability appears as a property of a common prior, which models the overall environment one wants to study.

Fortunately, there is no need to choose between the two approaches because they turn out to be equivalent, at least in those cases where a common prior exists. I therefore treat both of them in parallel. To avoid confusion, I use the term “exchangeability of types” for the property at the level of the mapping  $\tau$  and the term “anonymity in beliefs” for the property at the level of the belief  $b_a(\cdot|t_a)$  of agent  $a$  with type  $\tau(\cdot, a) = t_a$ . The latter can be interpreted as *conditional exchangeability*; I nevertheless use the term “anonymity in beliefs” because it emphasizes the parallel to anonymity in payoffs and because anonymity in beliefs does not require beliefs to be interpreted as conditional distributions.<sup>17</sup>

**Anonymity in Beliefs.** For given  $a \in A$  and  $t_a \in T$ , the measure  $b_a(\cdot|t_a)$  on  $(\Theta \times R_a, \mathcal{B}(\Theta) \otimes \mathcal{R}_a)$  satisfies *anonymity in beliefs* if, under this measure, the types  $t_{a'}$  of agents  $a' \neq a$  are essentially pairwise exchangeable.

**Exchangeability of Types.** Given the measurable mapping  $\tau$  from the Fubini extension  $(\Omega \times A, \mathcal{F} \boxtimes \mathcal{A})$  of the product space  $(\Omega \times A, \mathcal{F} \otimes \mathcal{A})$  to the type space  $T$ , the random variables  $\tau(\cdot, a)$ ,  $a \in A$ , are essentially pairwise exchangeable.

If we think about beliefs as conditional distributions and about anonymity in beliefs as a property that holds almost surely, rather than just for some type  $t_a$ , then, from an ex ante perspective, anonymity in beliefs is a form of *conditional exchangeability* of the random variables  $\tau(\cdot, a')$ ,  $a' \in A_{-a}$ . The following result shows that this conditional exchangeability is in fact equivalent to exchangeability.

**PROPOSITION 4.** *Given a measurable mapping  $\tau$  from the Fubini extension  $(\Omega \times A, \mathcal{F} \boxtimes \mathcal{A}, P \boxtimes \alpha)$  of the product probability space  $(\Omega \times A, \mathcal{F} \otimes \mathcal{A}, P \otimes \alpha)$  to the type space  $T$  and a function  $b_a$  from  $T \times A$  to the space of probability measures on  $(R_a, \mathcal{R}_a)$  such that, for  $\alpha$ -almost all  $a \in A$ ,  $b_a(\cdot|\tau(\cdot, a))$  is a regular conditional distribution for  $\{\tau(\cdot, a')\}_{a' \in A_{-a}}$  given  $\tau(\cdot, a)$ , the following statements are equivalent:*

- (a) *For  $\alpha$ -almost every  $a \in A$ , for  $P$ -almost all  $\omega \in \Omega$ , the probability measure  $b_a(\cdot|\tau(\omega, a))$  satisfies anonymity in beliefs.*
- (b) *The random variables  $\tau(\cdot, a)$ ,  $a \in A$ , are essentially pairwise exchangeable.*

<sup>17</sup>This is important if one follows Gul (1998).

### 2.3 The macro–micro decomposition of uncertainty

Anonymity in beliefs and exchangeability of types have two important implications: First, they ensure that agents' best responses to the other agents' strategies do not depend on the other agents' names in the sense of who is doing what. Second, they provide for a decomposition of uncertainty into a macro and a micro component, with a law of large numbers holding for the latter.

As mentioned in the Introduction, the macro–micro distinction should not be confused with the distinction between the common prior and the belief of any individual with a given type. Proposition 4 ensures that if the macro–micro decomposition is obtained at the level of the prior, then, for almost every agent, it is also almost surely obtained at the level of beliefs of that agent: either the macro–micro decomposition is obtained at both levels or it is obtained at neither.

For models with a continuum of random variables, Hammond and Sun (2003, 2008) show that the property of essential pairwise exchangeability is equivalent to the property of essential pairwise conditional independence relative to some countably generated  $\sigma$ -algebra, with identical conditional distributions. Moreover, Qiao et al. (2016) show that, with measurability relative to a Fubini extension, the conditioning  $\sigma$ -algebra can be identified with the algebra generated by the cross-section distributions of the random variables in question, and by a conditional law of large numbers, the conditional probability distribution of any one of the random variables and the cross-section sample distribution coincide. The following definition and propositions adapt their analysis to the present setting.

**Essential Pairwise Conditional Independence.** Given two complete probability spaces  $(\Omega, \mathcal{F}, P)$  and  $(I, \mathcal{I}, \lambda)$ , a countably generated sub- $\sigma$ -algebra  $\mathcal{C}$  of  $\mathcal{F}$ , and a family  $f(\cdot, i)$ ,  $i \in I$ , of  $\mathcal{F}$ -measurable functions from  $\Omega$  to a complete separable metric space  $X$  with Borel  $\sigma$ -algebra  $\mathcal{B}(X)$ , the random variables  $f(\cdot, i)$ ,  $i \in I$ , are *essentially pairwise conditionally independent given  $\mathcal{C}$*  if, for  $\lambda$ -almost all  $i_1 \in I$ , the random variables  $f(\cdot, i_1)$  and  $f(\cdot, i_2)$  are conditionally independent given  $\mathcal{C}$ , for  $\lambda$ -almost all  $i_2 \in I$ .

**PROPOSITION 5.** *Given the  $\Theta$ -valued random variable  $\tilde{\theta}$  on  $(\Omega, \mathcal{F}, P)$  and given a measurable mapping  $\tau$  from the Fubini extension  $(\Omega \times A, \mathcal{F} \boxtimes \mathcal{A}, P \boxtimes \alpha)$  of the product probability space  $(\Omega \times A, \mathcal{F} \otimes \mathcal{A}, P \otimes \alpha)$  to the type space  $T$ , the following statements are equivalent:*

- (a) *The random variables  $\tau(\cdot, a)$ ,  $a \in A$ , are essentially pairwise exchangeable.*
- (b) *The random variables  $\tau(\cdot, a)$ ,  $a \in A$ , are essentially pairwise conditionally independent given the sub- $\sigma$ -algebra  $\mathcal{D}$  of  $\mathcal{F}$  that is generated by the mapping*

$$\omega \mapsto D(\{\tau(\omega, a)\}_{a \in A}), \quad (2.11)$$

*and, moreover, for  $\alpha$ -almost every  $a \in A$ , the mapping (2.11) is a regular conditional distribution for  $\tau(\cdot, a)$  given  $\mathcal{D}$ .*

**PROPOSITION 6.** *Given the  $\Theta$ -valued random variable  $\tilde{\theta}$  on  $(\Omega, \mathcal{F}, P)$  and given a measurable mapping  $\tau$  from the Fubini extension  $(\Omega \times A, \mathcal{F} \boxtimes \mathcal{A}, P \boxtimes \alpha)$  of the product probability space  $(\Omega \times A, \mathcal{F} \otimes \mathcal{A}, P \otimes \alpha)$  to the type space  $T$  and a function  $b$  from  $T \times A$  to the space of probability measures on  $(\Theta \times R_a, \mathcal{B}(\Theta) \times \mathcal{R}_a)$  such that, for  $a$ -almost all  $a \in A$ ,  $b(\cdot | \tau(\cdot, a), a)$  is a regular conditional distribution for  $(\tilde{\theta}(\cdot), \{\tau(\cdot, a')\}_{a' \in A_{-a}})$  given  $\tau(\cdot, a)$ , the following statements are equivalent:*

- (a) *For  $\alpha$ -almost every  $a \in A$ , for  $P$ -almost all  $\omega \in \Omega$ , the probability measure  $b_a(\cdot | \tau(\omega, a))$  satisfies anonymity in beliefs.*
- (b) *For  $\alpha$ -almost every  $a \in A$ , for  $P$ -almost all  $\omega \in \Omega$ , under the probability measure  $b_a(\cdot | \tau(\omega, a))$ , the types  $t_{a'}$  of agents  $a' \neq a$  are essentially pairwise conditionally independent given the sub- $\sigma$ -algebra  $\hat{D}$  of  $\mathcal{R}_a$  that is generated by the mapping*

$$\{t_{a'}\}_{a' \in A_{-a}} \mapsto D(\{t_{a'}\}_{a' \in A_{-a}}), \tag{2.12}$$

*and, moreover, for  $\alpha_{-a}$ -almost every  $a' \in A_{-a}$ , the mapping (2.12) is a regular conditional distribution for  $t_{a'}$  given  $\hat{D}$ .*

Propositions 5 and 6 have two components. One component asserts the equivalence of exchangeability of types or anonymity in beliefs with essential pairwise conditional independence (with identical conditional distributions). The other component asserts a conditional law of large numbers whereby the cross-section distribution of types is almost surely equal to the common conditional distribution of types given the  $\sigma$ -algebra that is generated by the cross-section distributions.

Conditional independence and the validity of the exact law of large numbers over the continuum of agents provide for a decomposition of uncertainty into macro and micro components. The macro component concerns the cross-section distribution of types; the micro component concerns the type of each individual agent. Conditional independence and the law of large numbers ensure that, conditional on the cross-section distribution of types, each agent’s individual type has a probability distribution that is equal to the cross-section distribution.

These considerations apply at the level of individual beliefs as well as the prior. Whereas the macro–micro decomposition at the level of the prior can be given a sort of “objective” interpretation, at the level of beliefs, the same decomposition enters the thinking of agent  $a$  about the types of agents  $a' \neq a$ . The link between the two formulations is provided by Proposition 4.

The formulation of Proposition 6, which relies on the specification of beliefs in terms of regular conditional distributions under a common prior, may create an impression that anonymity in beliefs and the macro–micro decomposition should really be treated as properties of the common prior. Such an impression would, however, be mistaken. The following result provides an analogue to Proposition 6 that does not refer to a common prior.

**PROPOSITION 7.** *For any  $a \in A$  and  $t_a \in T$ , the measure  $b_a(\cdot | t_a)$  satisfies anonymity in beliefs if and only if there exists a countably generated sub- $\sigma$ -algebra  $\mathcal{C}_a \subset \mathcal{B}(\Theta) \times \mathcal{R}_a$  and a*

$\mathcal{C}_a$ -measurable mapping  $\mu$  from  $\Theta \times R_a$  to the space of measures on  $(\Theta \times R_a, \mathcal{B}(\Theta) \times \mathcal{R}_a)$  such that, under the measure  $b_a(\cdot|t_a)$ , the types  $t_{a'}$  of agents  $a' \neq a$  are essentially pairwise conditionally independent and identically distributed with the common regular conditional distribution  $\mu(\cdot)$ . If the measure  $b_a(\cdot|t_a) \circ \tau^a(\cdot)$  on  $(\Omega, \mathcal{F})$  is absolutely continuous with respect to  $P$ , the sub- $\sigma$ -algebra  $\mathcal{C}_a$  coincides with the  $\sigma$ -algebra  $\hat{D}$  of  $\mathcal{R}_a$  that is generated by the mapping

$$\{t_{a'}\}_{a' \in A_{-a}} \mapsto D(\{t_{a'}\}_{a' \in A_{-a}}), \quad (2.13)$$

and the regular conditional distribution  $\mu(\cdot)$  coincides with the mapping (2.13).

The first half of Proposition 7 relies on Hammond and Sun (2008); the second half relies on Qiao et al. (2016). In the second statement, the requirement that  $b_a(\cdot|t_a) \circ \tau^a(\cdot)$  on  $(\Omega, \mathcal{F})$  be absolutely continuous with respect to  $P$  ensures that the projection mapping  $(\{t_{a'}\}_{a' \in A_{-a}}, \hat{a}) \mapsto t_{\hat{a}}$  is measurable with respect to a Fubini extension of the product  $\sigma$ -algebra  $(\mathcal{B}(\Theta) \times \mathcal{R}_a) \otimes \mathcal{A}_{-a}$ , as required for the exact law of large numbers. The space  $(\Theta \times R_a, \mathcal{B}(\Theta) \times \mathcal{R}_a, b_a(\cdot|t_a))$  can then take the place of the measurable space  $(\Omega, \mathcal{F}, P)$ .

#### 2.4 Allowing for additional macro uncertainty

The preceding analysis makes no reference to the random variable  $\tilde{\theta}(\cdot)$ , which concerns all agents alike and may, therefore, be thought of as a “macro” variable. For example, in Proposition 6, the belief  $b_a(\cdot|\tau(\omega, a))$  of agent  $a$  with type  $\tau(\omega, a)$  concerns the random variable  $\tilde{\theta}(\cdot)$  as well as the constellation  $\{\tau(\cdot, a')\}_{a' \in A_{-a}}$  of other agents’ types, but the definition of anonymity in beliefs and the conditional-independence characterization in statement (b) of the proposition make no reference to  $\tilde{\theta}(\cdot)$ . In these statements, the uncertainty about  $\tilde{\theta}(\cdot)$  is effectively integrated out.

This omission, however, is a matter of exposition rather than substance. An important result in Hammond and Sun (2006) implies that if the random variables  $\tau(\cdot, a)$ ,  $a \in A$ , are essentially pairwise conditionally independent given a sub- $\sigma$ -algebra  $\mathcal{D}$  of  $\mathcal{F}$ , then these random variables are also essentially pairwise conditionally independent given any sub- $\sigma$ -algebra  $\mathcal{C}$  of  $\mathcal{F}$  such that  $\mathcal{D} \subset \mathcal{C}$ . Given this result, one easily obtains the following strengthenings of Propositions 5 and 6.

**PROPOSITION 8.** *Given the  $\Theta$ -valued random variable  $\tilde{\theta}$  on  $(\Omega, \mathcal{F}, P)$  and given a measurable mapping  $\tau$  from the Fubini extension  $(\Omega \times A, \mathcal{F} \boxtimes \mathcal{A}, P \boxtimes \alpha)$  of the product probability space  $(\Omega \times A, \mathcal{F} \otimes \mathcal{A}, P \otimes \alpha)$  to the type space  $T$ , the following statements are equivalent:*

- (a) *The random variables  $\tau(\cdot, a)$ ,  $a \in A$ , are essentially pairwise exchangeable.*
- (b\*) *The random variables  $\tau(\cdot, a)$ ,  $a \in A$ , are essentially pairwise conditionally independent given the sub- $\sigma$ -algebra  $\mathcal{D}^*$  of  $\mathcal{F}$  that is generated by the mapping*

$$\omega \mapsto (\tilde{\theta}(\omega), D(\{\tau(\omega, a)\}_{a \in A})), \quad (2.14)$$

and, moreover, for  $\alpha$ -almost every  $a \in A$ , the mapping (2.11) is a regular conditional distribution for  $\tau(\cdot, a)$  given  $\mathcal{D}^*$ .

**PROPOSITION 9.** *Given the  $\Theta$ -valued random variable  $\tilde{\theta}$  on  $(\Omega, \mathcal{F}, P)$  and given a measurable mapping  $\tau$  from the Fubini extension  $(\Omega \times A, \mathcal{F} \boxtimes \mathcal{A}, P \boxtimes \alpha)$  of the product probability space  $(\Omega \times A, \mathcal{F} \otimes \mathcal{A}, P \otimes \alpha)$  to the type space  $T$  and a function  $b$  from  $T \times A$  to the space of probability measures on  $(\Theta \times R_a, \mathcal{B}(\Theta) \otimes \mathcal{R}_a)$  such that, for  $a$ -almost all  $a \in A$ ,  $b_a(\cdot | \tau(\cdot, a))$  is a regular conditional distribution for  $(\theta(\cdot), \{\tau(\cdot, a')\}_{a' \in A_{-a}})$  given  $\tau(\cdot, a)$ , the following statements are equivalent:*

(a) *For  $\alpha$ -almost every  $a \in A$ , for  $P$ -almost all  $\omega \in \Omega$ , the probability measure  $b_a(\cdot | \tau(\omega, a))$  satisfies anonymity in beliefs.*

(b\*) *For  $\alpha$ -almost every  $a \in A$ , for  $P$ -almost all  $\omega \in \Omega$ , under the probability measure  $b_a(\cdot | \tau(\omega, a))$ , the types  $t_{a'}$  of agents  $a' \neq a$  are essentially pairwise conditionally independent given the sub- $\sigma$ -algebra  $\hat{\mathcal{D}}^*$  of  $\mathcal{B}(\Theta) \otimes \mathcal{R}_a$  that is generated by the mapping*

$$(\theta, \{t_{a'}\}_{a' \in A_{-a}}) \mapsto (\theta, D(\{t_{a'}\}_{a' \in A_{-a}})), \tag{2.15}$$

and, moreover, for  $\alpha_{-a}$ -almost every  $a' \in A_{-a}$ , the mapping

$$(\theta, \{t_{a'}\}_{a' \in A_{-a}}) \mapsto D(\{t_{a'}\}_{a' \in A_{-a}})$$

is a regular conditional distribution for  $t_{a'}$  given  $\hat{\mathcal{D}}^*$ .

To appreciate the difference between Propositions 8 and 9 on the one hand and Propositions 5 and 6 on the other hand, it is useful to go back to the distinction between models with private values and models with common values that was made in the Introduction. For a standard model of liquidity provision and bank runs, Propositions 5 and 6 capture the essence of the private-values model of Diamond and Dybvig (1983), where agents think about other agents' types only as these types. For a model of information-based runs, as in Rochet and Vives (2004) or Goldstein and Pauzner (2005), Propositions 8 and 9 provide the basis for dealing with the common-value aspects involved in agents' being concerned about the fundamental  $\tilde{\theta}(\cdot)$ , knowing that their own type provides a noisy signal of  $\tilde{\theta}(\cdot)$  and that  $\tilde{\theta}(\cdot)$  in turn determines the signals received by others.

In thinking about the other agents' types, the agent appreciates that, conditional on  $\tilde{\theta}(\cdot)$  and on the cross-section distribution of types, the other agents' types are essentially pairwise independent and an exact law of large numbers holds. Therefore, he or she will form beliefs about the joint distribution of  $\theta$  and  $D(\{t_{a'}\}_{a' \in A_{-a}})$ , while realizing that the (value of the regular conditional) probability distribution for any one other agent's type is  $D(\{t_{a'}\}_{a' \in A_{-a}})$ . Any effect of the agent's beliefs about  $\theta$  on his or her beliefs about  $D(\{t_{a'}\}_{a' \in A_{-a}})$  will be contained in the joint distribution of these two variables or, equivalently, the conditional probability distribution of  $\delta(\cdot)$  given the observation of  $\theta$ .

2.5 Macro beliefs and strategic behavior

The fact that the macro–micro decomposition of uncertainty is obtained at the level of beliefs as well as the common prior is important because strategic behavior depends on beliefs. From (2.9) and (2.10) above, we know that, with anonymity in payoffs, an agent’s strategic behavior depends on the agent’s probabilistic beliefs about the cross-section distribution of the other agents’ actions. The following result, which encompasses the situations treated in both Propositions 6 and 7, shows that this cross-section distribution of the other agents’ actions can be expressed in terms of the cross-section distribution of the other agents’ types and the cross-section distribution of the other agents’ strategies.

PROPOSITION 10. *Given  $a \in A$  and  $t_a \in T$ , assume that, under the measure  $b_a(\cdot|t_a)$  on  $(\Theta \times R_a, \mathcal{B}(\Theta) \otimes \mathcal{R}_a)$ , the types  $t_{a'}$  of agents  $a' \neq a$  are essentially pairwise conditionally independent given the sub- $\sigma$ -algebra  $\hat{\mathcal{D}}$  of  $\mathcal{B}(\Theta) \otimes \mathcal{R}_a$  that is generated by the mapping*

$$\{t_{a'}\}_{a' \in A_{-a}} \mapsto D(\{t_{a'}\}_{a' \in A_{-a}}). \tag{2.16}$$

*Assume also that, for  $\alpha_{-a}$ -almost every  $a' \in A_{-a}$ , the mapping (2.16) is a regular conditional distribution for  $t_{a'}$  given  $\hat{\mathcal{D}}$ . If the mapping  $(t, a') \mapsto \sigma(t, a')$  from  $T \times A_{-a}$  into  $S$  is measurable, then*

$$D(\{\sigma(t_{a'}, a')\}_{a' \in A_{-a}}) = \int_{\hat{a} \in A_{-a}} D(\{t_{a'}\}_{a' \in A_{-a}}) \circ \sigma(\cdot, \hat{a})^{-1} d\alpha(\hat{a}) \tag{2.17}$$

for  $b_a(\cdot|t_a)$ -almost all  $\{t_{a'}\}_{a' \in A_{-a}} \in R_a$ .

Thus, with anonymity in beliefs, the cross-section distribution of actions of agents other than  $a$  depends only on the cross-section distribution of types and the constellation  $\{\sigma(\cdot, \hat{a})\}_{\hat{a} \in A_{-a}}$  of the other agents’ strategies. In fact, (2.17) shows that the strategies  $\sigma(\cdot, \hat{a})$ ,  $\hat{a} \in A_{-a}$ , affect the distribution  $D(\{\sigma(t_{a'}, a')\}_{a' \in A_{-a}})$  only through their cross-section distribution  $\Sigma^a := D(\{\sigma(\cdot, a')\}_{a' \in A_{-a}})$ . Therefore, one can write

$$D(\{\sigma(t_{a'}, a')\}_{a' \in A_{-a}}) = \int_{S^T} D(\{t_{a'}\}_{a' \in A_{-a}}) \circ (\sigma^*)^{-1} d\Sigma^a(\sigma^*), \tag{2.18}$$

which is unchanged under any permutation of the other agents’ names. In (2.18),  $\Sigma^a$  is a measure on the space of measurable functions from  $T$  to  $S$ , and  $\sigma^*$ , the variable of integration, is a generic element of this function space.

With anonymity in beliefs as well as payoffs, expression (2.10) for agent  $a$ ’s conditionally expected payoff from action  $s_a$  with type  $\tau(\omega, a)$  and belief  $b_a(\cdot|\tau(\omega, a))$  can then be written as

$$\int_{\Theta \times R_a} u_a^*(\theta, \tau(\omega, a), s_a, \int_{S^T} D(\{t_{a'}\}_{a' \in A_{-a}}) \circ (\sigma^*)^{-1} d\Sigma^a(\sigma^*)) db_a(\theta, \{t_{a'}\}_{a' \in A_{-a}}|\tau(\omega, a)). \tag{2.19}$$

In this expression, the agent’s belief  $b_a(\cdot|\tau(\omega, a))$  concerns only the cross-section type distribution  $D(\{t_{a'}\}_{a' \in A_{-a}})$ . One can, therefore, rewrite (2.19) in the form

$$\int_{\Theta \times \mathcal{M}(T)} u_a^*(\theta, \tau(\omega, a), s_a, \int_{S^T} \delta \circ (\sigma^*)^{-1} d\Sigma(\sigma^*)) db_a^*(\theta, \delta|\tau(\omega, a)), \tag{2.20}$$

where, for any  $t_a \in T$ ,

$$b_a^*(\cdot|t_a) := b_a(\cdot|t_a) \circ (\pi_{\Theta}(\cdot), D(\cdot))^{-1} \tag{2.21}$$

is the probability distribution for  $(\theta, D(\{t_{a'}\}_{a' \in A_{-a}}))$  that is induced by  $b_a(\cdot|t_a)$ . In (2.21),  $\pi_{\Theta}$  is the projection from  $\Theta \times R_a$  to  $\Theta$ .

I refer to  $b_a^*(\cdot|t_a)$  as the *macro belief* of agent  $a$  with type  $t_a$ . Because the measure  $\alpha$  assigns zero weight to the individual agent  $a$ , we also have

$$D(\{t_{a'}\}_{a' \in A_{-a}}) = D(\{t_{a'}\}_{a' \in A})$$

for all  $\{t_{a'}\}_{a' \in A}$  and all  $a$ . Under exchangeability of types, therefore, for  $\alpha$ -almost all  $a \in A$  and  $P$ -almost all  $\omega \in \Omega$ , the macro belief  $b_a^*(\tau(\omega, a))$  depends on  $a$  only through  $\tau(\omega, a)$  and can be written as  $b^*(\tau(\omega, a))$ . The fact that the measure  $\alpha$  assigns zero weight to the individual agent  $a$  also implies that the distribution  $\Sigma^a := D(\{\sigma(\cdot, a')\}_{a' \in A_{-a}})$  of strategies pursued by agents other than  $a$  is the same for all  $a$ .

Thus, for  $a \in A$  and  $P$ -almost all  $\omega \in \Omega$ , one can rewrite (2.20) in the form

$$\int_{\Theta \times \mathcal{M}(T)} u_a^*(\theta, \tau(\omega, a), s_a, \Delta(\delta, \Sigma)) db^*(\theta, \delta|\tau(\omega, a)), \tag{2.22}$$

where

$$\Delta(\delta, \Sigma) := \int_{S^T} \delta \circ (\sigma^*)^{-1} d\Sigma(\sigma^*) \tag{2.23}$$

is the cross-section distribution of actions that is induced by the cross-section distribution of types  $\delta$  and the cross-section distribution of strategies  $\Sigma$ .

Anonymity in payoffs and anonymity in beliefs have thus been used to transform the objective function in (2.1), where agents rely on beliefs and expectations about the types and actions of every single other agent, into a form where agents rely only on beliefs and expectations about cross-section distributions of types and cross-section distributions of strategies of the other agents. Whereas the other agents’ names play a substantive role in (2.10), and even more so in (2.1), they do not even appear in (2.20) or (2.22).

Expression (2.22) also indicates that, with exchangeability of types, the cross-section distribution of strategies is the key endogenous variable in any analysis of strategic behavior and strategic interdependence. In this formulation, it is natural to think about (Bayes–Nash) equilibrium in terms of distributions.

**Equilibrium Strategy Distribution.** A measure  $\Sigma$  on the space of measurable functions  $\sigma^* : T \rightarrow S$  is an *equilibrium strategy distribution* if, for  $a \in A$ , there exist strategies  $t \mapsto \sigma(t, a)$  from  $T$  to  $S$  such that (i)  $\Sigma = D(\{\sigma(\cdot, a')\}_{a' \in A_{-a}})$  and (ii) for  $\alpha$ -almost every  $a \in A$  and  $P$ -almost every  $\omega \in \Omega$ , the action  $s_a = \sigma(\tau(\omega, a), a)$  maximizes the objective (2.22) over  $S$ .



I will *not* discuss under what conditions an equilibrium strategy distribution exists. Some of the issues that arise are routine, e.g., in addition to continuity of  $u_a^*$ , one needs a compactness condition on  $S$  or a boundary condition on  $u_a^*$  to ensure that, for any  $\tau(\omega, a) \in T$  and  $\Delta \in \mathcal{M}(S)$ , there exists  $s_a \in S$  that maximizes (2.22). One also needs an additional measurability condition on  $u_a^*$  to ensure that the action  $\sigma(\tau(\omega, a))$  that maximizes (2.22) over  $S$  can be taken to be measurable in  $\tau(\omega, a)$  and  $a$ .

One issue is not routine, however: Because an equilibrium strategy distribution is a measure on a space of functions, the topology on this space and the structural properties of utility functions and of the macro belief function must be specified in such a way that the continuity and compactness conditions for a fixed-point argument are satisfied. Milgrom and Weber (1985) provide such conditions for models with finitely many agents (without anonymity). I conjecture that their arguments can be applied in the present as well.<sup>18</sup>

### 3. THE SCOPE OF MACRO UNCERTAINTY

#### 3.1 Cross-section type distributions and other macro variables

I now turn to the question of whether anonymity in beliefs and exchangeability of types impose any additional implicit restrictions on the mapping  $\tau$ . The answer to this question depends on the specification of the Fubini extension  $\mathcal{F} \boxtimes \mathcal{A}$  of the product  $\sigma$ -algebra  $\mathcal{F} \otimes \mathcal{A}$ . For example, if  $\mathcal{F} \boxtimes \mathcal{A}$  is equal to the product  $\sigma$ -algebra  $\mathcal{F} \otimes \mathcal{A}$  itself, then, as was shown by Sun (2006) and Hammond and Sun (2008), exchangeability and (conditional) independence are incompatible with the measurability assumption on  $\tau$  *except* for the case where  $\tau(\omega, a)$  is the same for  $\alpha$ -almost all  $a$ , for  $P$ -almost all  $\omega$ . In this case, the type distribution  $D(\{\tau(\omega, a)\}_{a \in A})$  would almost surely be degenerate, macro uncertainty would only concern the value of the type, which is common to (almost) all agents, and, conditional on the common value of the type, there would be no further individual uncertainty.<sup>19</sup>

As discussed by Sun (2006) and Qiao et al. (2016), this degeneracy is avoided if the Fubini extension  $\mathcal{F} \boxtimes \mathcal{A}$  of the product  $\sigma$ -algebra  $\mathcal{F} \otimes \mathcal{A}$  is *rich*. This requirement excludes the product  $\sigma$ -algebra  $\mathcal{F} \otimes \mathcal{I}$ .

**Richness of the Fubini Extension.** A Fubini extension  $(\Omega \times I, \mathcal{F} \boxtimes \mathcal{I}, P \boxtimes \lambda)$  of a product probability space  $(\Omega \times I, \mathcal{F} \otimes \mathcal{I}, P \otimes \lambda)$  is said to be *rich* if there exists a measurable function  $h$  from  $(\Omega \times I, \mathcal{F} \boxtimes \mathcal{I}, P \boxtimes \lambda)$  to the unit interval such that (i) the random variables  $h(\cdot, i)$ ,  $i \in I$ , are essentially pairwise independent, i.e., for  $\lambda$ -almost all  $i_1 \in I$ , the random variables  $h(\cdot, i_1)$  and  $h(\cdot, i_2)$  are independent for  $\lambda$ -almost all

<sup>18</sup>I also conjecture that with an atomless measure space of agents, there is no need to allow for (mixed) behavior strategies rather than pure strategies.

<sup>19</sup>Proposition 2.1 of Sun (2006) shows that if  $h$  is a measurable function from the product space  $(\Omega \times I, \mathcal{F} \otimes \mathcal{I}, P \otimes \lambda)$  to the unit interval and if the random variables  $h(\cdot, i)$ ,  $i \in I$ , are essentially pairwise independent, the random variables  $h(\cdot, i)$ ,  $i \in I$ , must be essentially trivial, i.e., for  $\lambda$ -almost all  $i \in I$ ,  $h(\cdot, i)$  must be constant. Proposition 4 in Hammond and Sun (2008) provides a version of this result with essential pairwise conditional independence.

$i_2 \in I$ , and, moreover, (ii) for  $\lambda$ -almost every  $i \in I$ , the random variable  $h(\cdot, i)$  has a uniform distribution.

Conditions for the existence of a rich Fubini extension are given in Sun (2006), Sun and Zhang (2009), and Podczeck (2010). In particular, Sun (2006) shows that a rich Fubini extension exists if  $(I, \mathcal{I}, \lambda)$  is a hyperfinite Loeb space. Sun and Zhang (2009) show that, whereas a rich Fubini extension fails to exist if  $I$  is the unit interval with the Lebesgue  $\sigma$ -algebra, an extended Lebesgue unit interval, with a larger  $\sigma$ -algebra, does permit the construction of a rich Fubini extension of the product  $(\Omega \times I, \mathcal{F} \otimes \mathcal{I}, P \otimes \lambda)$ .

The following proposition shows that if the Fubini extension  $\mathcal{F} \boxtimes \mathcal{A}$  is rich, there is no restriction on macro uncertainty, i.e., uncertainty about cross-section type distributions, and the only restriction on micro uncertainty comes from the principle that, for a given cross-section distribution of types, the conditional probability distribution of the random variable  $\tau(\cdot, a)$  is equal to the cross-section distribution of types.

**PROPOSITION 11.** *Let  $\tilde{\delta}$  be any  $\mathcal{M}(T)$ -valued random variable on  $(\Omega, \mathcal{F}, P)$  and let  $\mathcal{D}$  be the sub- $\sigma$ -algebra of  $\mathcal{F}$  that is generated by  $\tilde{\delta}$ . If the Fubini extension  $(\Omega \times A, \mathcal{F} \boxtimes \mathcal{A}, P \boxtimes \alpha)$  is rich, there exists an  $\mathcal{F} \boxtimes \mathcal{A}$ -measurable mapping  $\tau$  from  $\Omega \times A$  to  $T$  such that the following statements hold:*

- (a) *Exchangeability of types holds, i.e., the random variables  $\tau(\cdot, a')$ ,  $a' \in A$ , are essentially pairwise exchangeable.*
- (b) *Conditional on  $\mathcal{D}$ , the random variables  $\tau(\cdot, a')$ ,  $a' \in A$ , are essentially pairwise independent and, for  $\alpha$ -almost every  $a' \in A$ , the mapping  $\omega \mapsto \tilde{\delta}(\omega)$  is a regular conditional distribution for  $\tau(\cdot, a')$  given  $\mathcal{D}$ .*
- (c) *For  $P$ -almost all  $\omega \in \Omega$ ,*

$$\tilde{\delta}(\omega) = D(\{\tau(\omega, a')\}_{a' \in A}), \tag{3.1}$$

*i.e., conditional on  $\mathcal{D}$ , an exact law of large numbers holds.*

- (d) *For  $\alpha$ -almost every  $a \in A$ , there exists a function  $b_a$  from  $T$  to the space of measures on  $(\mathcal{R}_a, \mathcal{R}_a)$  such that  $b_a(\cdot | \tau(\cdot, a))$  is a regular conditional distribution for  $\{\tau(\cdot, a')\}_{a' \in A-a}$  given  $\tau(\cdot, a)$  and, moreover, for  $P$ -almost every  $\omega \in \Omega$ ,  $b_a(\cdot | \tau(\cdot, a))$  satisfies anonymity in beliefs.*
- (e) *The belief functions  $b_a$  in statement (d) take the form*

$$b_a(\cdot | t_a) = \int_{\mathcal{M}(T)} \hat{b}_a(\cdot | \delta) d\beta^*(\delta | t_a), \tag{3.2}$$

*where  $\hat{b}_a(\cdot | \tilde{\delta}(\cdot))$  is a regular conditional distribution for  $\{\tau(\cdot, a')\}_{a' \in A-a}$  given  $\tilde{\delta}$  and  $\beta^*(\cdot | \tau(\cdot, a))$  is a regular conditional distribution for  $\tilde{\delta}$  given  $\tau(\cdot, a)$ .*

In addition to pulling together the findings of Propositions 4–6, Proposition 11 shows that the objects of those propositions, namely the families  $\tau(\cdot, a)$ ,  $b_a(\cdot | \tau(\cdot, a))$ ,  $a \in A$ , of random types and of belief functions can always be well defined. Moreover, for any

specification of the macro random variable  $\tilde{\delta}$ , they can be chosen so that  $\tilde{\delta}$ -almost surely coincides with the cross-section distribution of  $\tau(\cdot, a)$ ,  $a \in A$ , as well as the conditional probability distribution given  $\tilde{\delta}$  of  $\tau(\cdot, a')$ , for  $\alpha$ -almost all  $a' \in A$ . Given that, for any  $\Phi \in \mathcal{M}(\mathcal{M}(T))$ , there is a random variable  $\tilde{\delta}$  on  $(\Omega, \mathcal{F}, P)$  whose probability distribution is  $\Phi$ , it follows that if the Fubini extension  $(\Omega \times I, \mathcal{F} \boxtimes \mathcal{I}, P \boxtimes \lambda)$  is rich, any probability distribution over cross-section distributions is admissible.

The existence result in statement (d) is nontrivial because the  $\sigma$ -algebra  $\mathcal{R}_a$  is not, in general, countably generated. The result follows from the law of iterated expectations as spelled out in (3.2). Existence of a regular conditional distribution  $b_a(\cdot | \tilde{\delta}(\cdot))$  for  $\{\tau(\cdot, a')\}_{a' \in A_{-a}}$  given  $\tilde{\delta}$  is obtained from the very construction of the random variables  $\tau(\cdot, a')$ ,  $a' \in A_{-a}$ . Existence of a regular conditional distribution  $\beta(\tau(\cdot, a))$  for  $\tilde{\delta}$  given  $\tau(\cdot, a)$  is obtained by standard arguments from the fact that  $T$  and  $\mathcal{M}(T)$  are complete separable metric spaces, and that the  $\sigma$ -algebras  $\mathcal{B}(T)$  and  $\mathcal{B}(\mathcal{M}(T))$  are countably generated.

Proposition 11 says nothing about other macro variables. However, the argument is easily extended to allow for such variables. For any probability  $\Phi$  on  $\Theta \times \mathcal{M}(T)$ , there exists a pair of random variables  $\tilde{\theta}, \tilde{\delta}$  whose joint distribution is  $\Phi$ . Given this pair, one can use Proposition 11 to specify the type random variables  $\tau(\cdot, a')$ ,  $a' \in A$ . Statement (a) in Proposition 11 and Proposition 8 together imply that statements (b) and (c) in Proposition 11 remain valid if conditioning on  $\mathcal{D}$  is replaced by conditioning on  $\mathcal{D}^*$ , the  $\sigma$ -algebra that is generated by the random pair  $(\tilde{\theta}, \tilde{\delta})$ . Statements (d) and (e) can be similarly extended.

### 3.2 Macro belief functions

Whereas Proposition 11 implies that every probability distribution over cross-section distributions is admissible, the same cannot be said for macro belief functions. Not every measurable function  $\beta$  from  $T$  to  $\mathcal{M}(\mathcal{M}(T))$  is compatible with a common prior.

As is well known, in models with finitely many agents, with arbitrary belief functions, the existence of a common prior cannot be taken for granted.<sup>20</sup> In such models, the conditions under which a given set of belief functions is compatible with a common prior are very restrictive, the more so, the more agents there are. In the present setting, with a continuum of agents and belief functions required to satisfy anonymity in beliefs, conditions for compatibility with a common prior are less restrictive than the size of the population might suggest, but even so, there is a problem.

**Compatibility with a Common Prior.** A macro belief function  $\beta : T \rightarrow \mathcal{M}(\mathcal{M}(T))$  admits a common prior if there exists a mapping  $\tau : \Omega \times A \rightarrow T$  that is measurable with respect to a rich Fubini extension  $\mathcal{F} \boxtimes \mathcal{A}$  of the product  $\sigma$ -algebra  $\mathcal{F} \otimes \mathcal{A}$ , and for  $\alpha$ -almost every  $a \in A$ , there exists a regular conditional distribution  $b_a(\cdot | \tau(\cdot, a))$  for  $\{\tau(\cdot, a')\}_{a' \in A_{-a}}$  given  $\tau(\cdot, a)$  such that for  $P$ -almost every  $\omega \in \Omega$ ,  $b_a(\cdot | \tau(\omega, a))$  satisfies anonymity in beliefs and the associated macro belief  $b_a^*(\tau(\omega, a))$  coincides with  $\beta(\tau(\omega, a))$ .

<sup>20</sup>Harsanyi (1967/1968), Samet (1998a,b), Feinberg (2000), Rodrigues-Neto (2009), Hellman and Samet (2012), and Hellwig (2013).

PROPOSITION 12. *A measurable function  $\beta : T \rightarrow \mathcal{M}(\mathcal{M}(T))$  admits a common prior if and only if there exist measures  $\Psi \in \mathcal{M}(T)$ ,  $\Phi \in \mathcal{M}(\mathcal{M}(T))$ , and  $\Pi \in \mathcal{M}(T \times \mathcal{M}(T))$  such that*

$$\Pi(B_1 \times B_2) = \int_{B_1} \beta(B_2|t) d\Psi(t) \tag{3.3}$$

and

$$\Pi(B_1 \times B_2) = \int_{B_2} \delta(B_1) d\Phi(\delta) \tag{3.4}$$

for all  $B_1 \in \mathcal{B}(T)$  and  $B_2 \in \mathcal{B}(\mathcal{M}(T))$ .

To understand this proposition, let  $\tau(\cdot, a')$ ,  $a' \in A$ , be the family of random types for which  $\beta$  is supposed to be the macro belief function. Let  $\tilde{\delta} = \delta(\{\tau(\cdot, a')\}_{a' \in A})$  be the random variable indicating the cross-section distribution of types, and let  $a \in A$  be such that, conditional on  $\tilde{\delta}(\cdot)$ ,  $\tau(\cdot, a)$  is distributed as  $\tilde{\delta}(\cdot)$ . Let  $\Pi$  be the joint distribution of the pair  $(\tau(\cdot, a), \tilde{\delta}(\cdot))$ , and let  $\Psi$  and  $\Phi$  be the marginal distributions of  $\tau(\cdot, a)$  and  $\tilde{\delta}(\cdot)$ .

There are two ways to think about  $\Pi$ . First, using the fact that  $\beta(\tau(\cdot, a))$  is a regular conditional distribution for  $\tilde{\delta}(\cdot)$  given  $\tau(\cdot, a)$ , one can think about  $\Pi$  as being derived from the marginal distribution  $\Psi$  of the type  $\tau(\cdot, a)$  of agent  $a$  and the macro belief function  $\beta$ . Second, one can think about  $\Pi$  as being derived from the marginal distribution  $\Phi$  of  $\tilde{\delta}(\cdot)$  in combination with the fact that the marginal distributions of  $\tau(\cdot, a)$  and  $\tilde{\delta}(\cdot)$  are given by  $\Psi$  and  $\Phi$ . The first approach yields (3.3); the second yields (3.4).

Consistency of (3.3) and (3.4) requires that

$$\int_{B_2} \delta(B_1) d\Phi(\delta) = \int_{B_1} \beta(B_2|t) d\Psi(t) \tag{3.5}$$

for all  $B_1 \in \mathcal{B}(T)$  and  $B_2 \in \mathcal{B}(\mathcal{M}(T))$ . To understand what this means, it is useful to note that this condition is formally equivalent to the condition for the existence of a common prior in a *two-player model* in which the type space of player 1 is  $T$ , the type space of player 2 is  $\mathcal{M}(T)$ , the belief function of player 1 is  $\beta$ , and the belief function of player 2 is the identity mapping  $\delta \mapsto \delta$ . In this two-player model, a common prior  $\Pi$  exists if and only if there exist agent-specific priors  $\Psi$  for the type of player 1 and  $\Phi$  for the type of player 2 such that (3.5) holds for all  $B_1 \in \mathcal{B}(T)$  and  $B_2 \in \mathcal{B}(\mathcal{M}(T))$ , in which case  $\Pi$  is given by (3.3) and (3.4).

Therefore, I use arguments from the analysis of two-player games to spell out the meaning of the consistency condition (3.5). The aim is to obtain conditions that refer only to the macro belief function  $\beta$  and not also to the measures  $\Psi$  and  $\Phi$ , which are endogenous. I begin with a result showing that Proposition 12 can be restated in terms of density functions.<sup>21</sup>

---

<sup>21</sup>This restatement reflects the insight of Samet (1998a) that if a common prior exists, then the marginal distributions of the types of the different participants can be represented as the invariant distributions of Markov processes, with kernels given by compositions of the belief functions. As discussed, e.g., in Doob (1953), Markov kernels are absolutely continuous with respect to the invariant distributions.

**PROPOSITION 13.** *A measurable function  $\beta : T \rightarrow \mathcal{M}(\mathcal{M}(T))$  admits a common prior if and only if there exist measures  $\Psi \in \mathcal{M}(T)$ ,  $\Phi \in \mathcal{M}(\mathcal{M}(T))$ , and  $\Pi \in \mathcal{M}(T \times \mathcal{M}(T))$  such that the following statements are true.*

(a) *For  $\Phi$ -almost every measure  $\delta \in \mathcal{M}(T)$  there exists a density function  $g_\Psi$  such that*

$$\delta(B_1) = \int_{B_1} g_\Psi(t|\delta) d\Psi(t) \quad (3.6)$$

*for all  $B_1 \in \mathcal{B}(T)$ ; thus  $\Phi$ -almost every measure  $\delta \in \mathcal{M}(T)$  there exists is absolutely continuous with respect to  $\Psi$ .*

(b) *For  $\Psi$ -almost every  $t \in T$ , the measure  $\beta(t)$  has a density function  $f_\Phi$  such that*

$$\beta(B_2|t) = \int_{B_2} f_\Phi(\delta|t) d\Phi(\delta) \quad (3.7)$$

*for all  $B_2 \in \mathcal{B}(\mathcal{M}(T))$ ; thus  $\beta(t)$  is absolutely continuous with respect to  $\Phi$ .*

(c) *The measure  $\Pi$  is absolutely continuous with respect to the product measure  $\Psi \times \Phi$  and has a density function  $\pi$  such that*

$$\Pi(B_1 \times B_2) = \int_{B_1} \int_{B_2} \pi(t, \delta) d\Phi(\delta) d\Psi(t); \quad (3.8)$$

*moreover,*

$$\pi(t, \delta) = f_\Phi(\delta|t) = g_\Psi(t|\delta) \quad (3.9)$$

*for  $\Psi \times \Phi$ -almost all  $(t, \delta) \in T \times \mathcal{M}(T)$ .*

The consistency condition (3.9) provides the basis for the following result.

**PROPOSITION 14.** *Let  $\beta$  be a measurable function from  $T$  to  $\mathcal{M}(\mathcal{M}(T))$  and assume that the measures  $\beta(t)$ ,  $t \in T$ , are mutually absolutely continuous. If  $\beta$  admits a common prior, then the following statements hold:*

(i) *There exists a set  $D \in \mathcal{M}(T)$  such that  $\beta(D|t) = 1$  for all  $t$  and, moreover, the measures  $\delta \in D$  are mutually absolutely continuous.*

(ii) *For any  $t_0 \in T$ , for  $\beta(t_0)$ -almost all  $\delta_1 \in D$  and  $\delta_1$ -almost all  $t_1 \in T$ , there exist density functions  $f_1(\cdot|t)$  of the measures  $\beta(t)$ ,  $t \in T$ , with respect to  $\beta(t_1)$ , and density functions  $g_1(\cdot|\delta)$  of the measures  $\delta \in D$  with respect to  $\delta_1$  so that the condition*

$$\frac{f_1(\delta_2|t_2)}{f_1(\delta_1|t_2)} = \frac{g_1(t_2|\delta_2)}{g_1(t_1|\delta_2)} > 0 \quad (3.10)$$

*holds for  $\beta(t_1)$ -almost all  $\delta_2 \in \mathcal{M}(T)$  and  $\delta_1$ -almost all  $t_2 \in T$ .*

Conversely, if  $\beta$  satisfies (i) and (ii), then  $\beta$  admits a common prior. The common prior is unique. The measures  $\Pi$ ,  $\Psi$ , and  $\Phi$  take the form

$$\begin{aligned} \Pi(B_1 \times B_2) &= \lambda(t_1, \delta_1) \int_{B_1} \int_{B_2} \frac{f_1(\delta|t)}{f_1(\delta_1|t)} d\beta(\delta|t_0) d\delta_0(t) \\ &= \lambda(t_1, \delta_1) \int_{B_2} \int_{B_1} \frac{g_1(t|\delta)}{g_1(t_1|\delta)} d\delta_0(t) d\beta(\delta|t_0) \end{aligned} \tag{3.11}$$

$$\Psi(B_1) = \lambda(t_1, \delta_1) \int_{B_1} \frac{1}{f_1(\delta_0|t)} d\delta_0(t) \tag{3.12}$$

$$\Phi(B_2) = \lambda(t_1, \delta_1) \int_{B_2} \frac{1}{g_1(t_0|\delta)} d\beta(\delta|t_0) \tag{3.13}$$

for  $B_1 \in \mathcal{B}(T)$  and  $B_2 \in \mathcal{M}(T)$ , where  $\lambda(t_1, \delta_1) > 0$  is a scaling factor ensuring that  $\Pi(T \times \mathcal{M}(T)) = 1$ .

In this proposition, condition (3.10) takes the place of the consistency condition (3.9) in Proposition 13. Both conditions are variants of Harsanyi’s (1967/1968) well known necessary condition for the existence of a common prior for a given belief system.

Indeed the underlying argument is the same: If  $\beta$  admits a common prior, there are two ways to evaluate the ratio  $\frac{\pi(t_2, \delta_2)}{\pi(t_1, \delta_1)}$  of the joint distribution  $\Pi$  of an agent’s type and the cross-section distribution of types. One can write

$$\frac{\pi(t_2, \delta_2)}{\pi(t_1, \delta_1)} = \frac{\pi(t_2, \delta_1)}{\pi(t_1, \delta_1)} \cdot \frac{\pi(t_2, \delta_2)}{\pi(t_2, \delta_1)} = \frac{g_\Psi(t_2|\delta_1)}{g_\Psi(t_1|\delta_1)} \cdot \frac{f_\Phi(\delta_2|t_2)}{f_\Phi(\delta_1|t_2)} \tag{3.14}$$

as well as

$$\frac{\pi(t_2, \delta_2)}{\pi(t_1, \delta_1)} = \frac{\pi(t_1, \delta_2)}{\pi(t_1, \delta_1)} \cdot \frac{\pi(t_2, \delta_2)}{\pi(t_1, \delta_2)} = \frac{f_\Phi(\delta_2|t_1)}{f_\Phi(\delta_1|t_1)} \cdot \frac{g_\Psi(t_2|\delta_2)}{g_\Psi(t_1|\delta_2)}, \tag{3.15}$$

where in each case the second equation is based on (3.9). For these evaluations of the ratio  $\frac{\pi(t_2, \delta_2)}{\pi(t_1, \delta_1)}$  to be compatible with each other, one must have

$$\frac{g_\Psi(t_2|\delta_1)}{g_\Psi(t_1|\delta_1)} \cdot \frac{f_\Phi(\delta_2|t_2)}{f_\Phi(\delta_1|t_2)} = \frac{f_\Phi(\delta_2|t_1)}{f_\Phi(\delta_1|t_1)} \cdot \frac{g_\Psi(t_2|\delta_2)}{g_\Psi(t_1|\delta_2)}. \tag{3.16}$$

Whereas (3.16) involves densities with respect to  $\Psi$  and  $\Phi$ , the mutual absolute continuity of  $\Psi$  and the measures  $\delta \in D$ , and the mutual absolute continuity  $\Phi$  and the measures  $\beta(t)$ ,  $t \in T$ , imply that (3.16) can be rewritten as

$$\frac{g_0(t_2|\delta_1)}{g_0(t_1|\delta_1)} \cdot \frac{f_0(\delta_2|t_2)}{f_0(\delta_1|t_2)} = \frac{f_0(\delta_2|t_1)}{f_0(\delta_1|t_1)} \cdot \frac{g_0(t_2|\delta_2)}{g_0(t_1|\delta_2)}, \tag{3.17}$$

where  $g_0(t_2|\delta_1)$ ,  $f_0(\delta_2|t_2)$ , etc. are the corresponding densities with respect to some  $\delta_0 \in D$  and  $\beta(t_0) \in \mathcal{M}(T)$ . Equation (3.17) is exactly Harsanyi’s (1967/1968) condition, albeit applied to densities in a model with (possibly) a continuum of states, rather than probabilities in a model with a finite number of states. To get from this equation to (3.10), it suffices to set  $\delta_0 = \delta_1$  and  $t_0 = t_1$ , and to note that  $g_1(t_2|\delta_1) = g_1(t_1|\delta_1) = 1$  and

$f_1(\delta_2|t_1) = f_1(\delta_2|t_1) = 1$  because the density of a measure with respect to itself is identically equal to 1.

Whereas Harsanyi's condition is usually discussed as a necessary condition for the existence of a common prior, Proposition 14 shows that under the given conditions, it is also sufficient. This finding hinges on the strict positivity of the densities  $f_0(\delta|t)$  and  $g_0(t|\delta)$  on the relevant parts of their domains, which in turn is derived from the assumption that the macro beliefs  $\beta(t)$ ,  $t \in T$ , are mutually absolutely continuous.

The sufficiency part of Proposition 14 parallels the finding of Hellwig (2013) that, in an  $n$ -player game in which any element of any player's information partition intersects any element of any other player's information partition, for a *strictly positive belief system*, a common prior exists if (and only if) the Harsanyi condition holds for all quadruples that can be obtained from pairs of types for pairs of players (keeping the other players' types fixed). I conjecture that without the mutual-absolute-continuity assumption, necessary and sufficient conditions could still be obtained along the lines of Rodrigues-Neto (2009) or Hellman and Samet (2012).

#### 4. FURTHER CONSIDERATIONS

##### *Anonymity in beliefs in the absence of a common prior*

To conclude the paper, I briefly discuss some further issues. First, as mentioned in the Introduction, the interpretation of belief functions as regular conditional distributions is controversial. One may, therefore, ask what becomes of the results of this paper when there is no common prior.

In the absence of a common prior, the belief  $b_a(t_a)$  of agent  $a$  with type  $t_a$  must be taken as a given, without any relation to a prior, common or not. One can still impose the property of anonymity in beliefs and, by the result of Hammond and Sun (2008), one still finds that if  $b_a(t_a)$  has this property, then, under this belief, relative to some countably generated  $\sigma$ -algebra, the types  $t_{a'}$ ,  $a' \in A_{-a}$ , are conditionally independent and identically distributed. To go further and assert a conditional law of large numbers, one needs the formalism of the Fubini extension.

In a previous version of this paper, Hellwig (2019), I actually started from the beliefs  $b_a(t_a)$ ,  $t_a \in T$ ,  $a \in A$ , with an assumption that, for some complete probability space  $(\Omega_a(t_a), \mathcal{F}_a(t_a), P_a(t_a))$ , the belief  $b_a(t_a)$  is given as

$$b_a(t_a) = P_a(t_a) \circ \tau^a(\cdot|t_a)^{-1},$$

where

$$\tau^a(\cdot|t_a) = \{\tau_a(\cdot, a'|t_a)\}_{a' \in A_{-a}}$$

and  $\tau_a(\cdot, \cdot|t_a)$  is a mapping from  $\Omega_a(t_a) \times A_{-a}$  to  $T$  that is measurable with respect to a rich Fubini extension of the product space  $(\Omega_a(t_a) \times A_{-a}, \mathcal{F}_a(t_a) \otimes \mathcal{A}_{-a}, P_a(t_a) \otimes \alpha_{-a})$ . With this formalism, a version of Proposition 7 is immediately available to provide for a macro–micro decomposition of uncertainty, with an exact conditional law of large numbers, from the perspective of the belief  $b_a(t_a)$ .



In this approach, however, where each belief is treated in isolation, with a distinct probability space  $(\Omega_a(t_a), \mathcal{F}_a(t_a), P_a(t_a))$  supporting the Fubini formalism, it is difficult to think about a belief *function*, at least if the functions  $\tau^a(\cdot|t_a)$ ,  $t_a \in T$ , have different ranges. The Fubini formalism requires that the probability spaces  $(\Omega_a(t_a), \mathcal{F}_a(t_a), P_a(t_a))$  be complete, so even if  $\Omega_a(t_a)$  was taken to be the same for all  $t_a$ , the completions  $\mathcal{F}_a(t_a)$  and  $P_a(t_a)$  of the  $\sigma$ -algebras  $b_a(t_a) \circ \tau^a(\cdot|t_a)$  need not be. As shown in Hellwig (2019), the difficulty is resolved if one assumes that the measures  $b_a(t_a)$ ,  $t_a \in T$ , are mutually absolutely continuous; in this case, one can replace any one of the spaces  $\Omega_a(t_a)$  with the union of the ranges of the functions  $\tau^a(\cdot|t_a)$ . Proposition 7 then applies to all the beliefs  $b_a(t_a)$ ,  $t_a \in T$ .

### *What about payoff-relevant aspects of names?*

A referee asked how the formalism would accommodate *labels* that may be strategically relevant even though they are parts of agents' names. The example given by the referee is location, but one can also think of profession, gender, ethnicity, and age. Indeed, as shown by Bertrand and Mullainathan (2004), even proper names can be payoff relevant if they are treated as signals of gender, ethnicity, or race.

In addressing the referee's question, one must be careful about the semantics of the word "name." If we think about names as abstract identifiers like IP numbers, which in and of themselves are strategically unimportant, then, by definition, labels must be treated as parts of agents' types, rather than their names. Paradoxical though it may seem, in this interpretation of the word "name," whether a person is called Marianne or Sendhil, would be an aspect of the person's type.

Does it make a difference? If we think of labels as being parts of agents' names, the space of agents takes the form  $A = \hat{A} \times L$ , where  $\hat{A}$  is a space of strategically irrelevant identifiers and  $L$  is the space of labels. For any agent  $a \in A$ , the value of the label for this agent is given by the projection from  $A$  to  $L$ ,  $\ell(a) = \text{proj}_L a$ . If instead we treat the label  $\ell$  as a part of the agent's type, we must replace the type  $\tau(\omega, a)$  of this paper by an extended type  $(\tau(\omega, a), \ell(\omega, a))$ . The latter formulation has certain advantages.

If labels are treated as parts of agents' names, it may be appropriate to replace the assumption of anonymity in beliefs or exchangeability of types by conditioning on labels, e.g., assuming that for  $\alpha \circ \ell^{-1}$ -almost all  $\ell \in L$ , the types  $\tau(\cdot, \hat{a}, \ell)$ ,  $\hat{a} \in \hat{A}$ , are essentially pairwise exchangeable.

If labels are treated as parts of agents' types, it suffices to apply the exchangeability assumptions of this paper to the extended types  $\tau^*(\cdot, a) = (\tau(\cdot, a), \ell(\cdot, a))$ , rather than just  $\tau(\cdot, a)$ ,  $a \in A$ . This assumption would actually encompass the conditional-exchangeability assumption that, for  $\alpha \circ \ell^{-1}$ -almost all  $\ell \in L$ , the types  $\tau(\cdot, \hat{a}, \ell)$ ,  $\hat{a} \in \hat{A}$ , are essentially pairwise exchangeable.

To see this, notice that with exchangeability of extended types, the pairs  $(\tau(\cdot, a), \ell(\cdot, a))$  are essentially pairwise conditionally independent and identically distributed, with conditioning on the  $\sigma$ -algebra generated by the sample cross-section distributions  $D(\{(\tau(\cdot, a'), \ell(\cdot, a'))\}_{a' \in A})$ . I claim that, moreover, conditional on the  $\sigma$ -algebra generated by the cross-section distributions  $D(\{(\tau(\cdot, a'), \ell(\cdot, a'))\}_{a' \in A})$  and the labels

$\ell(\cdot, a')$ ,  $a' \in A^*$ , the (narrow) types  $\tau(\cdot, a)$ ,  $a \in A$ , must be essentially conditionally independent and identically distributed, where  $A^*$ , with  $\alpha(A^*) = 1$ , is the set of agents, such that, conditional on  $D(\{(\tau(\cdot, a''), \ell(\cdot, a''))\}_{a'' \in A})$ , the pairs  $(\tau(\cdot, a'), \ell(\cdot, a'))$  are conditionally independent and identically distributed. Because, conditional on  $D(\{(\tau(\cdot, a''), \ell(\cdot, a''))\}_{a'' \in A})$ , the  $\sigma$ -algebras generated by  $(\tau(\cdot, a), \ell(\cdot, a))$  and by  $(\tau(\cdot, a'), \ell(\cdot, a'))$ ,  $a' \in A^* \setminus \{a\}$ , are independent, the conditional distribution for  $\tau(\cdot, a)$  given  $D(\{(\tau(\cdot, a''), \ell(\cdot, a''))\}_{a'' \in A})$  and  $\ell(\cdot, a')$ ,  $a' \in A^*$ , is the same as the conditional distribution for  $\tau(\cdot, a)$  given  $D(\{(\tau(\cdot, a''), \ell(\cdot, a''))\}_{a'' \in A})$  and  $\ell(\cdot, a)$ . Thus, if

$$D(\{(\tau(\cdot, a''), \ell(\cdot, a''))\}_{a'' \in A}) = \delta \quad \text{and} \quad \ell(\cdot, a) = \ell,$$

the conditional distribution of  $\tau(\cdot, a)$  is  $\theta(\ell, \delta)$ , where  $\theta(\cdot, \delta)$  is a regular conditional distribution for  $t$  given  $\ell$  when the pair  $(t, \ell)$  has the joint distribution  $\delta$ . For the relation between labels and types in the narrow sense, one thus gets the same structure as in the case where labels are treated as parts of names and exchangeability is conditioned on labels, but, in addition, one can accommodate macro uncertainty about labels.

Turning to strategic behavior, I first note that any effects of agents' labels on their own behaviors are accommodated by a simple reinterpretation of the notation. In the formalism of this paper, the behavior of agent  $a$  depends on payoff function  $u_a$ , the type  $t_a$ , and the belief  $b_a(t_a)$ , as well as the agent's expectations about the strategies chosen by the other agents. To accommodate the effects of a label  $\ell(a)$  or  $\ell(\omega, a)$ , it suffices to reinterpret the triple  $u_a$ ,  $t_a$ , and  $b_a(t_a)$  in terms of an extended name  $a = (\hat{a}(a), \ell(a))$  and/or an extended type  $\tau^*(\omega, a) = (\tau(\omega, a), \ell(\omega, a))$ .

Effects of agents' labels on other agents' behaviors presume that labels are observable and that they enter the other agents' payoff functions. For example, the payoff function of agent  $a$  in (2.1) and (2.2) might be replaced by

$$u_a(\theta, t_a, s_a, \{(s_{a'}, \ell_{a'})\}_{a' \in A_{-a}}), \tag{4.1}$$

so that the label  $\ell_{a'}$  of agent  $a' \neq a$  affects the payoff of agent  $a$  directly as well as indirectly, through its effect on the action  $s_{a'} = \sigma(\tau^*(\omega, a'), a')$  of agent  $a'$ . In this formulation, the condition of anonymity in payoffs might be reformulated so that (4.1) is replaced by

$$u_a^*(\theta, t_a, s_a, D(\{(s_{a'}, \ell_{a'})\}_{a' \in A_{-a}})), \tag{4.2}$$

where  $D(\{(s_{a'}, \ell_{a'})\}_{a' \in A_{-a}})$  is now the cross-section distribution of the pairs  $(s_{a'}, \ell_{a'})$  of actions and labels of the other agents.

If we think about labels as parts of agents' extended types, the specifications (4.1) and (4.2) beg the question of why the payoff of agent should not also depend on  $t_{a'}$ , the part of the extended type of agent  $a'$  that is not part of the label  $\ell_{a'}$ . A straightforward answer would be that agent  $a$  cannot observe  $t_{a'}$ . From this perspective, the important distinction attached to the notion of a *label* is not so much between payoff-irrelevant and payoff-relevant aspects of names as it is between observable and unobservable aspects of types.

APPENDIX A: PROOFS

Before turning to the proofs as such, I recall a few basic facts. For a reference, see, e.g., Billingsley (1995), in particular, p. 41ff.

- Since  $T$  is a complete separable metric space, there exists a countable family  $\mathcal{P} = \{B^k\}_{k=1}^\infty$  of sets in  $\mathcal{B}(T)$  that generates  $\mathcal{B}(T)$ .
- Without loss of generality, the family  $\mathcal{P} = \{B^k\}_{k=1}^\infty$  may be taken to be a  $\pi$  system, i.e., a family of sets that is closed under finite intersections.
- A family  $\mathcal{Q}$  of subsets of  $T$  is said to be a  $\lambda$  system if it satisfies (i)  $T \in \mathcal{Q}$ , (ii) if  $B \in \mathcal{Q}$ , then  $T \setminus B \in \mathcal{Q}$ , and (iii) if  $B_1, B_2, \dots$  are pairwise disjoint sets in  $\mathcal{Q}$ , then  $\bigcup_{n=1}^\infty B_n \in \mathcal{Q}$ .
- Dynkin's  $\pi - \lambda$  theorem: If  $\mathcal{P}$  is a  $\pi$  system and  $\mathcal{Q}$  is a  $\lambda$  system, then  $\mathcal{P} \subset \mathcal{Q}$  implies  $\sigma(\mathcal{P}) \subset \mathcal{Q}$ .

PROOF OF REMARK 1. For any  $B \in \mathcal{B}(T)$ , let  $\chi_B : T \rightarrow [0, 1]$  be the indicator function of the set  $B$ , i.e., let  $\chi_B(t) = 1$  for  $t \in B$  and  $\chi_B(t) = 0$  for  $t \notin B$ . Since  $f : \Omega \times I \rightarrow T$  is measurable with respect to the Fubini extension  $\mathcal{F} \boxtimes \mathcal{I}$  of the product  $\sigma$ -algebra  $\mathcal{F} \otimes \mathcal{I}$ , the composition  $\chi_B \circ f$  is also measurable with respect to  $\mathcal{F} \boxtimes \mathcal{I}$ .

Let  $\mathcal{P} = \{B^k\}_{k=1}^\infty$  be a countable family of subsets of  $T$  that is closed under finite intersections and suppose that  $\{B^k\}_{k=1}^\infty$  generates  $\mathcal{B}(T)$ . For any  $k$ , let  $\Omega_k$  be the set of  $\omega \in \Omega$  for which the section  $\chi_B \circ f(\omega, \cdot)$  of the function is  $\chi_B \circ f$ -integrable on  $(I, \mathcal{I}, \lambda)$ . By the Fubini property,  $P(\Omega_k) = 1$ . Because the family  $\{B^k\}_{k=1}^\infty$  is countable,  $P(\bigcap_{k=1}^\infty \Omega_k) = 1$ . Thus, for  $P$ -almost every  $\omega \in \Omega$ , for all  $k$ , the section  $\chi_{B^k} \circ f(\omega, \cdot)$  of the function  $\chi_{B^k} \circ f$  is integrable on  $(I, \mathcal{I}, \lambda)$ .

Let  $\mathcal{Q}$  be the family of subsets of  $T$  such that, for any  $B \in \mathcal{Q}$  and any  $\omega \in \bigcap_{k=1}^\infty \Omega_k$ , the section  $\chi_B \circ f(\omega, \cdot)$  of the function is  $\chi_B \circ f$ -integrable on  $(I, \mathcal{I}, \lambda)$ . One easily verifies that  $\mathcal{Q}$  is a  $\lambda$  system. By the argument just given, every set in the  $\pi$  system  $\mathcal{P} = \{B^k\}_{k=1}^\infty$  is also contained in  $\mathcal{Q}$ . Because  $\mathcal{P}$  generates  $\mathcal{B}(T)$ , Dynkin's  $\pi - \lambda$  theorem implies that every set in  $\mathcal{P}$  is also contained in  $\mathcal{Q}$ . Thus, for  $P$ -almost every  $\omega \in \Omega$ , for all  $B \in \mathcal{B}(T)$ , the section  $\chi_B \circ f(\omega, \cdot)$  of the function  $\chi_B \circ f$  is integrable on  $(I, \mathcal{I}, \lambda)$ . Moreover, the Fubini property implies that the functions

$$\omega \mapsto \int_I \chi_B \circ f(\omega, i) d\lambda(i) \tag{A.1}$$

from  $(\Omega, \mathcal{F}, P)$  into  $[0, 1]$  are measurable.

For any  $\omega \in \bigcap_{k=1}^\infty \Omega_k$  and any  $B \in \mathcal{B}(T)$ , we have

$$\int_I \chi_B \circ f(\omega, i) d\lambda(i) = \lambda \circ f(\omega, \cdot)^{-1}(B). \tag{A.2}$$

By Lemma 1 in Hammond and Sun (2003), it follows that the measurability of the function (A.1) for any  $B \in \mathcal{B}(T)$  implies the measurability of the function

$$\omega \mapsto \lambda \circ f(\omega, \cdot)^{-1}$$

from  $(\Omega, \mathcal{F})$  into  $(\mathcal{M}(T), \mathcal{B}(\mathcal{M}(T)))$ . The remark follows immediately. □

Remark 2 is a special case of Remark 1, with  $(\Omega \times I, \mathcal{W}, \mathcal{Q}) = (\Omega \times A, \mathcal{F} \boxtimes A, P \boxtimes \alpha)$  and  $f = \tau$ . Remark 3 is also a special case of Remark 1, with  $(\Omega \times I, \mathcal{W}, \mathcal{Q}) = (\Omega \times A_{-a}, \mathcal{F} \boxtimes A_{-a}, P \boxtimes \alpha_{-a})$  and  $f$  equal to the function  $(\omega, a') \mapsto \sigma(\tau(\omega, a'), a')$ .

**PROOF OF PROPOSITION 4.** By Proposition 17 in Appendix B, it suffices to prove that statement (a) is equivalent to the following statement.

- (a\*) For  $\alpha$ -almost all  $a \in A$ , the random variables  $\tau(\cdot, a'), a' \in A_{-a}$ , are essentially conditionally pairwise exchangeable given  $\mathcal{C}(a)$ , where  $\mathcal{C}(a)$  is the sub- $\sigma$ -algebra of  $\mathcal{F}$  that is generated by  $\tau(\cdot, a)$ .

For this purpose recall that, for any  $a \in A$  and any  $t_a \in T$ ,  $b(t_a, a)$  is a probability measure on  $(R_a, \mathcal{R}_a)$ , where  $R_a$  is the range of the function  $\omega \mapsto \tau^a(\omega) := \{\tau(\omega, a')\}_{a' \in A_{-a}}$  and  $\mathcal{R}_a$  is the coarsest  $\sigma$ -algebra under which the mapping  $\omega \mapsto \tau^a(\omega)$  from  $(\Omega, \mathcal{F})$  to  $R_a$  is measurable. For any  $a' \in A_{-a}$ , trivially, the mapping  $\mathbf{t} \mapsto \varphi_{a'}(\mathbf{t}) = t_{a'} = \text{proj}_{a'}(\mathbf{t})$ , from  $(R_a, \mathcal{R}_a)$  to  $(T, \mathcal{B}(T))$ , is measurable, and so is the mapping  $\mathbf{t} \mapsto (\varphi_{a'}(\mathbf{t}), \varphi_{a''}(\mathbf{t})) = (t_{a'}, t_{a''})$ , for any  $a', a'' \in A_{-a}$ , from  $(R_a, \mathcal{R}_a)$  to  $(T, \mathcal{B}(T)) \times (T, \mathcal{B}(T))$ . By the definition of the mapping  $\omega \mapsto b(\tau(\omega, a), a)$  as a regular conditional distribution for  $\tau^a(\cdot)$  given the sub- $\sigma$ -algebra  $\mathcal{C}(a) \subset \mathcal{F}$  that is generated by  $\tau(\cdot, a)$ , it follows that, for any  $a'$  and  $a'' \in A_{-a}$ , the mapping  $\omega \mapsto b_a(\tau(\omega, a)) \circ (\varphi_{a'}(\cdot), \varphi_{a''}(\cdot))^{-1}$  is a regular conditional distribution for  $(\tau(\cdot, a'), \tau(\cdot, a''))$  given  $a', a'' \in A_{-a}$ . The equivalence of statement (a) in the proposition and statement (a\*) above follows immediately.  $\square$

Proposition 5 follows directly from Proposition 3 in Qiao et al. (2016). Proposition 6 follows from Proposition 3 in Qiao et al. (2016) and the argument in the proof of Proposition 17 in Appendix B.

**PROOF OF PROPOSITION 7.** Given the definition of  $b_a(t_a)$ , the first statement follows from Proposition 7 of Hammond and Sun (2008).

To prove the second statement, define a measure  $Q$  on  $(\Omega, \mathcal{F})$  by setting  $Q = b_a(t_a) \circ (\tau^a)^{-1}$ . If  $b_a(t_a) \circ (\tau^a)^{-1}$  is absolutely continuous with respect to  $P$ , then, by the Radon–Nikodym theorem, there exists a density function  $q$  on  $(\Omega, \mathcal{F})$  such that, for any  $F \in \mathcal{F}$ ,  $Q(F) = \int_F q(\omega) dP(\omega)$ . Consider the random variables  $\tau(\cdot, a'), a' \in A_{-a}$ , on the probability space  $(\Omega, \mathcal{F}, Q)$ . Because the density  $q$  of  $Q$  with respect to  $P$  is measurable and the random variables  $\tau(\cdot, a'), a' \in A_{-a}$ , have the Fubini property on  $(\Omega \times A, \mathcal{F} \boxtimes A, P \boxtimes \alpha)$ , one easily verifies that they also have the Fubini property on  $(\Omega \times A, \mathcal{F} \boxtimes A, Q \boxtimes \alpha)$ .

If  $b_a(t_a)$  satisfies anonymity in beliefs, i.e., if, under this measure, the types  $t_{a'}$  of agents  $a' \in A_{-a}$  are essentially pairwise exchangeable, one also verifies easily that the random variables  $\tau(\cdot, a'), a' \in A_{-a}$ , on the probability space  $(\Omega, \mathcal{F}, Q)$  are essentially pairwise exchangeable. By Proposition 3 of Qiao et al. (2016), it follows that these are essentially pairwise conditionally independent given the sub- $\sigma$ -algebra  $\mathcal{D}$  of  $\mathcal{F}$  that is generated by the mapping

$$\omega \mapsto D(\{\tau(\omega, a')\}_{a' \in A_{-a}}), \tag{A.3}$$

and, moreover, for  $\alpha$ -almost every  $a' \in A_{-a}$ , the mapping (A.3) is a regular conditional distribution for  $\tau(\cdot, a)$  given  $\mathcal{D}$ . The second statement of Proposition 7 follows upon

translating this statement back into a statement about the random variables  $t_{a'}$ ,  $a' \in A_{-a}$ , on the probability space  $(R_a, \mathcal{R}_a, b_a(t_a))$ . □

**PROOF OF PROPOSITION 8.** Suppose first that the random variables  $\tau(\cdot, a)$  are essentially pairwise exchangeable. Then, by Proposition 5, they are also essentially pairwise conditionally independent and identically distributed given the sub- $\sigma$ -algebra  $\mathcal{D} \subset \mathcal{F}$ . By Proposition 3 of Hammond and Sun (2006), it follows that the random variables  $\tau(\cdot, a)$  are also essentially pairwise conditionally independent given the sub- $\sigma$ -algebra  $\mathcal{D}^* \subset \mathcal{F}$  that is generated by the mapping  $\omega \mapsto (\tilde{\theta}(\omega), D(\{\tau(\omega, a)\}_{a \in A}))$ .

Proposition 5 also implies that, for  $\alpha$ -almost every  $a \in A$ , the mapping

$$\omega \mapsto D(\{\tau(\omega, a)\}_{a \in A}) \tag{A.4}$$

is a regular conditional distribution for  $\tau(\cdot, a)$  given  $\mathcal{D}$ . Because  $\mathcal{D} \subset \mathcal{D}^*$ , the mapping (A.4) is obviously measurable with respect to  $\mathcal{D}^*$ . By the arguments given in the proof of Proposition 3 of Hammond and Sun (2006), it follows that, for  $\alpha$ -almost every  $a \in A$ , the mapping (A.4) is also a regular conditional distribution for  $\tau(\cdot, a)$  given  $\mathcal{D}^*$ . This completes the proof of the implication (a)  $\implies$  (b\*).

The reverse implication, (b\*)  $\implies$  (a), follows from the reverse implication, (b)  $\implies$  (a) in Proposition 5 and the argument in the proof of Proposition 17 in Appendix B. □

The proof of Proposition 9 follows the same line of argument and is left to the reader.

**PROOF OF PROPOSITION 10.** By the definition of a regular conditional distribution, one obtains that, for  $\alpha$ -almost all  $\hat{a} \in A_{-a}$ ,  $D(\{t_{a'}\}_{a' \in A_{-a}}) \circ \sigma(\cdot, \hat{a})^{-1}$  is a regular conditional distribution of  $\sigma(\cdot, \hat{a})$  given  $\mathcal{D}$ . By Theorem 1 of Qiao et al. (2016), it follows that

$$D(\{\sigma(t_{a'}, a')\}_{a' \in A_{-a}}) = \int_{\hat{a} \in A_{-a}} D(\{t_{a'}\}_{a' \in A_{-a}}) \circ \sigma(\cdot, \hat{a})^{-1} d\alpha(\hat{a})$$

for  $b_a(t_a)$ -almost all  $\{t_{a'}\}_{a' \in A_{-a}} \in R_{\tau^a}$ .<sup>22</sup> □

**PROOF OF PROPOSITION 11.**

**Statements (a)–(c)**

The proof proceeds along similar lines as the proof of Proposition 5.3 of Sun (2006). By Lemma A.5 in Sun (2006), there exists a measurable function  $f$  from  $\mathcal{M}(T) \times [0, 1]$  into  $T$  such that for any  $\delta \in \mathcal{M}(T)$ ,

$$\ell \circ f(\delta, \cdot)^{-1} = \delta, \tag{A.5}$$

where  $\ell$  is the uniform distribution on  $[0, 1]$ . Given this function  $f$  and the random variable  $\tilde{\delta}$ , define the mapping  $\tau : \Omega \times A \rightarrow T$  such that, for any  $\omega \in \Omega$  and  $a' \in A$ ,

$$\tau(\omega, a') = f(\tilde{\delta}(\omega), h(\omega, a')), \tag{A.6}$$

---

<sup>22</sup>I thank a referee for suggesting this very elegant proof, which is much simpler than what I had before.

where  $h$  is the function given by the richness of the Fubini extension  $(\Omega \times A, \mathcal{F} \boxtimes \mathcal{A}, P \boxtimes \alpha)$ .

I claim that  $\tau$  is measurable with respect to  $\mathcal{F} \boxtimes \mathcal{A}$ . In fact,  $\tau$  is the composition of the measurable function  $f : \mathcal{M}(T) \times [0, 1] \rightarrow T$  with the function  $H : \Omega \times A \rightarrow \mathcal{M}(T) \times [0, 1]$  that is given by setting

$$H(\omega, a') = (\tilde{\delta}(\omega), h(\omega, a'))$$

for any  $\omega \in \Omega$  and  $a' \in A$ . Because the map  $\omega \mapsto \tilde{\delta}(\omega)$  is measurable with respect to  $\mathcal{F}$  and the map  $(\omega, a') \mapsto h(\omega, a')$  is measurable with respect to  $\mathcal{F} \boxtimes \mathcal{A}$ , the map  $(\omega, a') \mapsto H(\omega, a')$  is measurable with respect to  $\mathcal{F} \boxtimes \mathcal{A}$ , and so is the map  $(\omega, a') \mapsto \tau(\omega, a') = f(H(\omega, a'))$ .

Because  $T$  is a complete separable metric space,  $\mathcal{M}(T)$  is also a complete separable metric space, and the  $\sigma$ -algebra  $\mathcal{D}$  is countably generated. Because the random variables  $h(\cdot, a')$ ,  $a' \in A$ , are essentially pairwise independent, Proposition 3 in Hammond and Sun (2006) implies that they are also essentially pairwise conditionally independent given  $\mathcal{D}$ . As in Remark 1 of Hammond and Sun (2008), it follows that the random pairs  $(\tilde{\delta}(\cdot), h(\cdot, a'))$ ,  $a' \in A$ , are also essentially pairwise conditionally independent given  $\mathcal{D}$ , and so are the random variables  $\tau(\cdot, a') = f(\tilde{\delta}(\cdot), h(\cdot, a'))$ ,  $a' \in A$ .

Moreover, because, for  $\alpha$ -almost every  $a' \in A$ , the random variable  $h(\cdot, a')$  has the uniform distribution  $\ell$ , (A.5) and (A.6) imply that, for  $\alpha$ -almost every  $a' \in A$ , conditional on the event  $\tilde{\delta}(\cdot) = \delta$ , the probability distribution of  $\tau(\cdot, a')$  is almost surely equal to  $\delta$ . For  $\alpha$ -almost every  $a' \in A$ , therefore, the function  $\tilde{\delta}(\cdot)$  is a regular conditional distribution for  $\tau(\cdot, a')$  given the  $\sigma$ -algebra  $\mathcal{D}$  that is generated by  $\tilde{\delta}$ . Statement (b) has thus been proved.

Statement (c) follows by Corollary 2 of Qiao et al. (2016) and the fact that, conditional on  $\mathcal{D}$ , the random variables  $\tau(\cdot, a')$ ,  $a' \in A$ , are essentially pairwise independent. Statement (a) follows by Proposition 5.

**Statements (d) and (e)**

For any  $\delta \in \mathcal{M}(T)$ , define a mapping  $\tau_\delta : \Omega \times A \rightarrow T$  such that, for any  $\omega \in \Omega$  and  $a' \in A$ ,

$$\tau_\delta(\omega, a') = f(\delta, h(\omega, a')), \tag{A.7}$$

where, as before,  $f : \mathcal{M}(T) \times [0, 1] \rightarrow T$  is the function given by Lemma A.5 in Sun (2006), satisfying

$$\ell \circ f(\delta, \cdot)^{-1} = \delta, \tag{A.8}$$

with  $\ell$  equal to Lebesgue measure on  $[0, 1]$  and where  $h$  is the function given by the richness of the Fubini extension  $(\Omega \times A, \mathcal{F} \boxtimes \mathcal{A}, P \boxtimes \alpha)$ . For any  $a \in A$ , set

$$\tau_\delta^a := \{\tau_\delta(\omega, a')\}_{a' \in A_{-a}} \tag{A.9}$$

and

$$\hat{b}_a(\cdot | \delta) := P \circ (\tau_\delta^a)^{-1}. \tag{A.10}$$

Then, given the random variable  $\tilde{\delta}$ , for  $\alpha$ -almost every  $a \in A$ ,  $\hat{b}_a(\cdot|\tilde{\delta}(\cdot))$  is a regular conditional distribution for  $\{\tau(\cdot, a')\}_{a' \in A-a} = \{f(\tilde{\delta}(\cdot), h(\cdot, a'))\}_{a' \in A-a}$  given  $\tilde{\delta}$ .

Because  $T$  and  $\mathcal{M}(T)$  are complete separable metric spaces, there also exist functions  $\beta_a : T \rightarrow \mathcal{M}(T)$ ,  $a \in A$ , such that  $\beta_a(\cdot|\tau(\cdot, a))$  is a regular conditional distribution for  $\tilde{\delta}$  given  $\tau(\cdot, a)$ . By statement (a) of the proposition, the functions  $\beta_a$ ,  $a \in A$ , are essentially identical, i.e., there exists a function  $\beta^* : T \rightarrow \mathcal{M}(T)$  such that  $\beta_a = \beta^*$  for  $\alpha$ -almost all  $a \in A$ . Equation (3.2) follows by the law of iterated expectations. Statement (e) has thus been proved.

Statement (d) follows from statements (e) and (a) and Proposition 4. □

**PROOF OF PROPOSITION 12.** The “only if” part of the proposition follows from the argument sketched in the text. To prove the “if” part of the proposition, let  $\Psi$ ,  $\Phi$ , and  $\Pi$  be such that, for the given  $\beta(\cdot)$ , (3.3) and (3.4) hold for all  $B_1 \in \mathcal{B}(T)$  and all  $B_2 \in \mathcal{B}(\mathcal{M}(T))$ .

Let  $(\Omega, \mathcal{F}, P)$  be a complete probability space, and let  $(\Omega \times A, \mathcal{F} \boxtimes \mathcal{A}, P \boxtimes \alpha)$  be a rich Fubini extension of the product space  $(\Omega \times A, \mathcal{F} \otimes \mathcal{A}, P \otimes \alpha)$ . Let  $\tilde{\delta} : \Omega \rightarrow \mathcal{M}(T)$  be such that  $\Phi = P \circ \tilde{\delta}^{-1}$ , so that the distribution of  $\tilde{\delta}$  is  $\Phi$ . Let  $\tau : \Omega \times A \rightarrow T$  be the mapping that is given by Proposition 11. Let  $\beta^*$  be the associated macro belief function, and let  $\Psi^*$ ,  $\Phi^*$ , and  $\Pi^*$  be the associated measures that are given by the “if” part of the proposition (for the macro belief function  $\beta^*$ ).

By construction,  $\Phi^* = \Phi$ . By the “if” part of the proposition (for the macro belief function  $\beta^*$ ), it follows that

$$\Pi^*(B_1 \times T) = \Psi^*(B_1) \tag{A.11}$$

and

$$\Pi^*(B_1 \times B_2) = \int_{B_2} \delta(B_1) d\Phi(\delta) \tag{A.12}$$

for all  $B_1 \in \mathcal{B}(T)$  and all  $B_2 \in \mathcal{B}(\mathcal{M}(T))$ . From (A.12) and the fact that  $\Phi$  and  $\Pi$  satisfy (3.4), one infers that  $\Pi^* = \Pi$ . With  $\Pi^* = \Pi$ , (A.11) and the fact that  $\Psi$  and  $\Pi$  satisfy (3.4) for  $\beta$  imply  $\Psi^* = \Psi$ . Thus,  $\Psi$  and  $\Pi$  satisfy (3.4) for both  $\beta$  and  $\beta^*$ . It follows that  $\beta^*(\tau(\cdot, a)) = \beta(\tau(\cdot, a))$ ,  $P$ -almost surely and, therefore, that  $\beta$  is a macro belief function for the family  $\tau(\cdot, a)$ ,  $a \in A$ , of random types. □

**PROOF OF PROPOSITION 13.** I show that the condition of Proposition 12 is equivalent to  $\Pi$ ,  $\Psi$ , and  $\Phi$  satisfying statements (a), (b), and (c).

(a) Statement (a) asserts that,  $\Phi$ -almost every measure  $\delta \in \mathcal{M}(T)$  is absolutely continuous with respect to  $\Psi$ , i.e., for any  $B_1 \in \mathcal{B}(T)$ ,  $\Psi(B_1) = 0$  implies  $\delta(B_1) = 0$ . Because (3.3) with  $B_2 = \mathcal{M}(T)$  yields  $\Pi(B_1 \times \mathcal{M}(T)) = \Psi(B_1)$ , (3.4) implies

$$\Psi(B_1) = \Pi(B_1 \times \mathcal{M}(T)) = \int_{\mathcal{M}(T)} \delta(B_1) d\Phi(\delta) \tag{A.13}$$

for all  $B_1 \in \mathcal{B}(T)$ . For any  $B_1 \in \mathcal{B}(T)$ , therefore, the assertion that  $\Psi(B_1) = 0$  implies  $\delta(B_1) = 0$  is true for  $\Phi$ -almost all  $\delta$ . It remains to be shown that the null set of distributions  $\delta$  for which the implication is not true can be chosen independently of  $B_1$ .



For this purpose, I use Dynkin's  $\pi - \lambda$  theorem, as in the proof of Remark 2.1. Let  $\mathcal{P} = \{B^k\}_{k=1}^\infty$  be a countable family of subsets of  $T$  that is closed under finite intersections and suppose that  $\{B^k\}_{k=1}^\infty$  generates  $\mathcal{B}(T)$ . For any  $k$ , let  $\Delta_k$  be the set of  $\delta \in \mathcal{M}(T)$  for which  $\Psi(B^k) = 0$  implies  $\delta(B^k) = 0$ . By (A.13),  $\Phi(\Delta_k) = 1$ . Because the family  $\mathcal{P} = \{B^k\}_{k=1}^\infty$  is countable, it follows that  $\Phi(\bigcap_{k=1}^\infty \Delta_k) = 1$ .

Let  $\mathcal{Q}$  be the family of subsets of  $T$  such that, for any  $B \in \mathcal{Q}$  and any  $\delta \in \bigcap_{k=1}^\infty \Delta_k$ ,  $\Psi(B) = 0$  implies  $\delta(B) = 0$ . One easily verifies that  $\mathcal{Q}$  is a  $\lambda$  system. By the argument just given, every set in the  $\pi$  system  $\mathcal{P} = \{B^k\}_{k=1}^\infty$  is also contained in  $\mathcal{Q}$ . Because  $\mathcal{P}$  generates  $\mathcal{B}(T)$ , Dynkin's  $\pi - \lambda$  theorem implies that every set in  $\mathcal{P}$  is also contained in  $\mathcal{Q}$ . Thus, for  $\Phi$ -almost every  $\delta \in \mathcal{M}(T)$ ,  $\Psi(B) = 0$  implies  $\delta(B_1) = 0$  for all  $B_1 \in \mathcal{B}(T)$ . For such  $\delta$ , the existence of the density function  $g_\Psi$  satisfying (3.6) follows by the Radon–Nikodym theorem.

(b) The proof of statement (b) is similar. The statement asserts that, for  $\Psi$ -almost every  $t \in T$ , the measure  $\beta(t)$  is absolutely continuous with respect to  $\Phi$ , i.e., for every  $B_2 \in \mathcal{B}(\mathcal{M}(T))$ ,  $\Phi(B_2) = 0$  implies  $\beta(B_2|t) = 0$ . Because (3.4) with  $B_1 = T$  yields  $\Pi(T \times B_2) = \Phi$ , (3.3) implies

$$\Phi(B_2) = \Pi(T \times B_2) = \int_T \beta(B_2|t) d\Psi(t) \tag{A.14}$$

for all  $B_2 \in \mathcal{B}(\mathcal{M}(T))$ . For any  $B_2 \in \mathcal{B}(\mathcal{M}(T))$ , therefore, the assertion that  $\Phi(B_2) = 0$  implies  $\beta(B_2|t) = 0$  is true for  $\Psi$ -almost all  $t$ .

Moreover, by the same argument as in the proof of statement (a), using Dynkin's  $\pi - \lambda$  theorem, the null set of  $t$  for which the implication is not true can be chosen independently of  $B_2$ . For  $\Psi$ -almost all  $t \in T$ , therefore,  $\Phi(B_2) = 0$  implies  $\beta(B_2|t) = 0$ . For any such  $t$ , the existence of the density function  $f_\Phi$  follows by the Radon–Nikodym theorem.

(c) By statements (a) and (b), (3.3) and (3.4) can be written as

$$\Pi(B_1 \times B_2) = \int_{B_2} \int_{B_1} g_\Psi(t|\delta) d\Psi(t) d\Phi(\delta) \tag{A.15}$$

and

$$\Pi(B_1 \times B_2) = \int_{B_1} \int_{B_2} f_\Phi(\delta|t) d\Phi(\delta) d\Psi(t). \tag{A.16}$$

Statement (c) follows by Fubini's theorem and the Radon–Nikodym theorem. □

**PROOF OF PROPOSITION 14.** To prove the first claim of the proposition, let  $\beta$  be as stated and suppose that  $\beta$  admits a common prior. Let  $\Psi$ ,  $\Phi$ , and  $\Pi$  be the measures given by Proposition 13 and let  $f_\Phi$ ,  $g_\Psi$ , and  $\pi$  be the associated density functions, as specified in Proposition 13. I first claim that, for any  $t_0 \in T$ ,  $\Phi$  is absolutely continuous with respect to  $\beta(t_0)$ . To prove this claim, I note that, because the measures  $\beta(t)$ ,  $t \in T$ , are absolutely continuous with respect to  $\beta(t_0)$ , there exist density functions  $f_0(\cdot|t)$ ,  $t \in T$ , for  $\beta(t)$  with respect to  $\beta(t_0)$ , such that, for any  $t \in T$  and any  $B_2 \in \mathcal{B}(\mathcal{M}(T))$ ,

$$\beta(B_2|t) = \int_{B_2} f_0(\delta|t) d\beta(\delta|t_0).$$

By (A.14), it follows that

$$\begin{aligned} \Phi(B_2) &= \int_T \int_{B_2} f_0(\delta|t) d\beta(\delta|t_0) d\Psi(t) \\ &= \int_{B_2} \int_T f_0(\delta|t) d\Psi(t) d\beta(\delta|t_0) \end{aligned} \tag{A.17}$$

for any  $B_2 \in \mathcal{B}(\mathcal{M}(T))$ . Absolute continuity of  $\Phi$  with respect to  $\beta(t_0)$  follows immediately. A density function  $\varphi_0$  for  $\Phi$  with respect to  $\beta(t_0)$  is given by setting

$$\varphi_0(\delta) = \int_T f_0(\delta|t) d\Psi(t) \tag{A.18}$$

for  $\Phi$ -almost any  $\delta$ . Since  $\beta(t_0)$  is also absolutely continuous with respect to  $\Phi$ , the density  $\varphi_0(\delta)$  is strictly positive for  $\Phi$ -almost all  $\delta$  and is in fact the inverse of the density  $f_\Phi(\delta|t_0)$  of  $\beta(t_0)$  with respect to  $\Psi$ .

I next show that, for  $\Psi \otimes \Phi$ -almost every pair  $(t, \delta)$ , the value  $f_\Phi(\delta|t)$  of the density function  $f_\Phi(\cdot|t)$  is strictly positive. For all  $t \in T$ , the density functions  $f_\Phi(\cdot|t)$  and  $f_\Phi(\cdot|t_0)$  are related by the equations

$$f_0(\delta|t) = f_\Phi(\delta|t) \cdot \varphi_0(\delta) \quad \text{and} \quad 1 = f_\Phi(\delta|t_0) \cdot \varphi_0(\delta), \tag{A.19}$$

holding for  $\Phi$ -almost all  $\delta$ . By the mutual absolute continuity of  $\beta(t)$  and  $\beta(t_0)$ , the value  $f_0(\delta|t)$  of the density  $f_0(\cdot|t)$  is strictly positive for  $\Phi$ -almost all  $\delta$ . Hence,  $f_\Phi(\delta|t) > 0$  for all  $t$ , for  $\Phi$ -almost all  $\delta$  in the set

$$\Delta_0 := \{\delta \in \mathcal{M}(T) | f_\Phi(\delta|t_0) > 0\}.$$

The definition of  $\Delta_0$  implies that  $\int_{\mathcal{M}(T) \setminus \Delta_0} f_\Phi(\delta|t_0) d\Phi(\delta) = 0$  and, therefore,  $\beta(\mathcal{M}(T) \setminus \Delta_0|t_0) = 0$ . By the absolute continuity of  $\Phi$  with respect to  $\beta(t_0)$ , it follows that  $\Phi(\mathcal{M}(T) \setminus \Delta_0) = 0$  and, therefore,  $\Phi(\Delta_0) = 1$ . Thus,  $f_\Phi(\delta|t_0) > 0$  for  $\Phi$ -almost all  $\delta$  and, therefore,  $f_\Phi(\delta|t) > 0$  for  $\Psi \otimes \Phi$ -almost all  $(t, \delta)$ .

Given this result, statement (c) in Proposition 13 implies that  $g_\Psi(t|\delta) > 0$  for  $\Psi \otimes \Phi$ -almost all  $(t, \delta)$ . By elementary set theory, it follows that, for  $\Phi$ -almost all  $\delta$ ,  $g_\Psi(t|\delta) > 0$  for  $\Psi$ -almost all  $t$ . For

$$\Delta := \{\delta \in \Delta_0 | \Psi(\{t \in T | g_\Psi(t|\delta) > 0\}) = 1\},$$

one, thus, has  $\Phi(\Delta) = \Phi(\Delta_0) = 1$ . For any  $\delta \in \Delta$ , statement (a) in Proposition 13 implies that, for any  $B_1 \in \mathcal{B}(T)$ ,  $\delta(B_1) = 0$  implies  $\Psi(B_1) = 0$ , so  $\Psi$  is absolutely continuous with respect to  $\delta$ . Thus,  $\Psi$  and any one of the measures in  $\Delta$  are mutually absolutely continuous. Hence, the measures in  $\Delta$  are also mutually absolutely continuous. This completes the proof that  $\beta$  satisfies statement (i) in the proposition.

Turning to statement (ii), I note that statement (c) in Proposition 13 implies

$$\begin{aligned} &f_\Phi(\delta_1|t_2) \cdot g_\Psi(t_2|\delta_2) \cdot f_\Phi(\delta_2|t_1) \cdot g_\Psi(t_1|\delta_1) \\ &= g_\Psi(t_2|\delta_1) \cdot f_\Phi(\delta_2|t_2) \cdot g_\Psi(t_1|\delta_2) \cdot f_\Phi(\delta_1|t_1) > 0 \end{aligned} \tag{A.20}$$

for  $\Psi$ -almost all  $t_1, t_2$  in  $T$  and  $\Phi$ -almost all  $\delta_1, \delta_2$  in  $\mathcal{M}(T)$ . Using (A.19) with  $t_0$  replaced by  $t_1$ , I find that, for any  $t \in T$ , the formula

$$f_1(\delta|t) = f_\Phi(\delta|t) \cdot \varphi_1(\delta) \tag{A.21}$$

defines a density function for  $\beta(t)$  with respect to  $\beta(t_1)$ . By the same argument, based on the mutual absolute continuity of the measures  $\Psi$  and  $\delta \in \Delta$ , for any  $\delta \in \Delta$ , the formula

$$g_1(t|\delta) = g_\Psi(t|\delta) \cdot \psi_1(t) \tag{A.22}$$

defines a density function for  $\delta$  with respect to  $\delta_1$ , where  $\psi_1$  is the density of  $\Psi$  with respect to  $\delta_1$ . Upon using (A.20) and (A.21) to substitute for the densities  $f_\Phi$  and  $g_\Psi$  in (A.20), one finds that the terms  $\varphi_1(\delta_1)$ ,  $\varphi_1(\delta_2)$ ,  $\psi_1(t_1)$ , and  $\psi_1(t_2)$  cancel out, and one is left with the equation

$$f_1(\delta_1|t_2) \cdot g_1(t_2|\delta_2) \cdot f_1(\delta_2|t_1) \cdot g_1(t_1|\delta_1) = g_1(t_2|\delta_1) \cdot f_1(\delta_2|t_2) \cdot g_1(t_1|\delta_2) \cdot f_1(\delta_1|t_1).$$

Equation (3.10) follows because the density functions  $f_1(\cdot|t_1)$  and  $g_1(\cdot|\delta_1)$  for  $\beta(t_1)$  and  $\delta_1$  with respect to themselves have the constant value 1, leaving the equation

$$f_1(\delta_1|t_2) \cdot g_1(t_2|\delta_2) = f_1(\delta_2|t_2) \cdot g_1(t_1|\delta_2),$$

which must hold for  $\Psi$ -almost all  $t_1, t_2$  and  $\Phi$ -almost all  $\delta_1, \delta_2$ , or, equivalently, in view of the mutual-absolute-continuity properties of the different families of measures, for  $\beta(t_0)$ -almost all  $\delta_1, \delta_2$  in  $\mathcal{M}(T)$  and  $\delta_1$ -almost all  $t_1, t_2$  in  $T$ . This completes the proof that  $\beta$  satisfies statement (ii) in the proposition.

To prove the second claim in the proposition, let  $\beta$  be as stated in the proposition and suppose that statements (i) and (ii) hold. By statement (ii), there exist  $t_1 \in T$  and  $\delta_1 \in \Delta$  such that (3.10) holds for  $\beta(t_1)$ -almost all  $\delta_2 \in \mathcal{M}(T)$  and  $\delta_1$ -almost all  $t_2 \in T$ . Thus, one can define

$$\begin{aligned} \pi_1(t, \delta) &:= \lambda_1 \cdot \frac{f_1(\delta|t)}{f_1(\delta_1|t)} \quad \text{if } f_1(\delta_1|t) > 0 \\ \pi_1(t, \delta) &:= 0 \quad \text{if } f_1(\delta_1|t) = 0, \end{aligned} \tag{A.23}$$

with

$$\lambda_1 := \left[ \int_T \int_{\mathcal{M}(T)} \frac{f_1(\delta|t)}{f_1(\delta_1|t)} d\beta(\delta|t_1) d\delta_1(t) \right]^{-1}$$

and

$$\Pi(B_1 \times B_2) = \int_{B_1} \int_{B_2} \pi_1(t, \delta) d\beta(\delta|t_1) d\delta_1(t) \tag{A.24}$$

for any  $B_1 \in \mathcal{B}(T)$  and  $B_2 \in \mathcal{B}(\mathcal{M}(T))$ . From (A.23) and (A.24), one computes

$$\begin{aligned} \Psi(B_1) &= \Pi(B_1 \times \mathcal{M}(T)) \\ &= \int_{B_1} \int_{\mathcal{M}(T)} \lambda_1 \cdot \frac{f_1(\delta|t)}{f_1(\delta_1|t)} d\beta(\delta|t_1) d\delta_1(t) \end{aligned}$$

$$\begin{aligned}
 &= \int_{B_1} \int_{\mathcal{M}(T)} \lambda_1 \cdot \frac{1}{f_1(\delta_1|t)} d\beta(\delta|t) d\delta_1(t) \\
 &= \int_{B_1} \lambda_1 \cdot \frac{1}{f_1(\delta_1|t)} d\delta_1(t)
 \end{aligned} \tag{A.25}$$

for any  $B_1 \in \mathcal{B}(T)$ . By (3.10), we also have

$$\begin{aligned}
 \pi_1(t, \delta) &= \lambda_1 \cdot \frac{g_1(t|\delta)}{g_1(t_1|\delta)} \quad \text{if } g_1(t_1|\delta) > 0 \\
 \pi_1(t, \delta) &= 0 \quad \text{if } g_1(t_1|\delta) = 0,
 \end{aligned}$$

so (A.24) also yields

$$\begin{aligned}
 \Phi(B_2) &= \Pi(T \times B_2) \\
 &= \int_T \int_{B_2} \lambda_1 \cdot \frac{g_1(t|\delta)}{g_1(t_1|\delta)} d\beta(\delta|t_1) d\delta_1(t) \\
 &= \int_{B_2} \int_T \lambda_1 \cdot \frac{1}{g_1(t_1|\delta)} d\delta(t) d\beta(\delta|t_1) \\
 &= \int_{B_2} \lambda_1 \cdot \frac{1}{g_1(t_1|\delta)} d\beta(\delta|t_1).
 \end{aligned} \tag{A.26}$$

From (A.25) and (A.26), one sees that  $\Psi$  and  $\delta_1$  as well as  $\Phi$  and  $\beta(t_1)$  are mutually absolutely continuous. Because  $\delta_1$  and any other  $\delta \in \Delta$  are mutually absolutely continuous, it follows that  $\Psi$  satisfies statement (a) in Proposition 13. Because  $\beta(t_1)$  and any other measure  $\beta(t)$ ,  $t \in T$ , are mutually absolutely continuous, it follows that  $\Phi$  satisfies statement (b) in Proposition 13. By inspection of (A.25) and (A.26), the densities of  $\Psi$  with respect to  $\delta_1$  and of  $\Phi$  with respect to  $\beta(t_1)$  are given as

$$\psi(t) = \lambda_1 \cdot \frac{1}{f_1(\delta_1|t)} \quad \text{and} \quad \varphi(\delta) = \lambda_1 \cdot \frac{1}{g_1(t_1|\delta)}. \tag{A.27}$$

For any  $t$  and  $\delta$ , the densities of  $\beta(t)$  with respect to  $\Phi$  and of  $\delta$  with respect to  $\Psi$  can be computed from (A.27) and from the densities of  $\beta(t)$  with respect to  $\beta(t_1)$  and of  $\delta$  with respect to  $\delta_1$ . This yields

$$f_\Phi(\delta|t) = \frac{f_1(\delta|t)}{\varphi(\delta)} = \frac{1}{\lambda_1} \cdot g_1(t_1|\delta) \cdot f_1(\delta|t)$$

and

$$g_\Psi(t|\delta) = \frac{g_1(t|\delta)}{\psi(t)} = \frac{1}{\lambda_1} \cdot f_1(\delta_1|t) \cdot g_1(t|\delta),$$

so (3.10) implies the validity of (3.9). By Proposition 13, it follows that  $\beta$  admits a common prior, with  $\Pi$ ,  $\Psi$ , and  $\Phi$  as specified in the proposition.

To see that the common prior is unique, let  $\Pi^*$ ,  $\Psi^*$ ,  $\Phi^*$  be any triple of distributions associated with a common prior for  $\beta$ . Using Proposition 13, let  $\pi^*$  be the density of  $\Pi^*$  with respect to  $\Psi^* \otimes \Phi^*$ . By the argument given above,  $\Psi^*$  and the measures  $\delta \in \Delta$  are

mutually absolutely continuous, and so are  $\Phi^*$  and the measures  $\beta(t)$ ,  $t \in T$ . Given a pair  $(t_0, \delta_0)$ , let  $\psi_0$  and  $\varphi_0$  be the density functions for  $\Psi^*$  with respect to  $\delta_0$  and for  $\Phi^*$  with respect to  $\beta(t_0)$ . Then  $\Pi^*$  has a density  $\pi_0 = \pi^* \cdot \psi_0 \cdot \varphi_0$  with respect to  $\delta_0 \otimes \beta(t_0)$ . Using (3.14) in the text, one finds that

$$\begin{aligned} \frac{\pi_0^*(t_2, \delta_2)}{\pi_0^*(t_1, \delta_1)} &= \frac{\pi^*(t_2, \delta_2) \cdot \psi_0(t_2) \cdot \varphi_0(\delta_2)}{\pi^*(t_1, \delta_1) \cdot \psi_0(t_1) \cdot \varphi_0(\delta_1)} \\ &= \frac{\pi^*(t_2, \delta_1) \cdot \psi_0(t_2)}{\pi^*(t_1, \delta_1) \cdot \psi_0(t_1)} \cdot \frac{\pi^*(t_2, \delta_2) \cdot \varphi_0(\delta_2)}{\pi^*(t_2, \delta_1) \cdot \varphi_0(\delta_1)} \\ &= \frac{g_\Psi(t_2|\delta_1) \cdot \psi_0(t_2)}{g_\Psi(t_1|\delta_1) \cdot \psi_0(t_1)} \cdot \frac{f_\Phi(\delta_2|t_2) \cdot \varphi_0(\delta_2)}{f_\Phi(\delta_1|t_2) \cdot \varphi_0(\delta_1)} \\ &= \frac{g_0(t_2|\delta_1)}{g_0(t_1|\delta_1)} \cdot \frac{f_0(\delta_2|t_2)}{f_0(\delta_1|t_2)} \end{aligned} \tag{A.28}$$

for  $\Psi^*$ -almost all  $t_1, t_2$  and  $\Phi^*$ -almost all  $\delta_1, \delta_2$ . Up to modifications on sets of  $\delta_0 \otimes \beta(t_0)$ -measure zero, the ratio  $\frac{\pi_0^*(t_2, \delta_2)}{\pi_0^*(t_1, \delta_1)}$  is, thus, uniquely determined by the density functions  $f_0(\cdot|t)$ ,  $g_0(\cdot|\delta)$ ,  $t \in T$ ,  $\delta \in \Delta$ . Because  $\Pi^*(T \times M(T)) = 1$ , it follows that, up to modifications on sets of  $\delta_0 \otimes \beta(t_0)$ -measure zero, the density  $\pi^*$  itself is uniquely determined by these density functions. Therefore,  $\Pi^*$  is uniquely determined by these density functions.  $\square$

APPENDIX B: EXCHANGEABILITY AND CONDITIONAL EXCHANGEABILITY

In this appendix, I introduce the property of conditional exchangeability and discuss its relation to the property of exchangeability. Two random variables  $\tilde{x}_1$  and  $\tilde{x}_2$  that are defined on a probability space  $(\Omega, \mathcal{F}, P)$  and that take values in a complete separable metric space  $T$  are *exchangeable* if there exists a probability measure  $\pi$  on  $T^2$  such that

$$P(\{\omega \in \Omega | \tilde{x}_1(\omega) \in B_1\} \cap \{\omega \in \Omega | \tilde{x}_2(\omega) \in B_2\}) = \pi(B_1 \times B_2) = \pi(B_2 \times B_1) \tag{B.1}$$

for all  $B_1, B_2$  in  $\mathcal{B}(T)$ . Given a countably generated sub- $\sigma$ -algebra  $\mathcal{C}$  of  $\mathcal{F}$ , the random variables  $\tilde{x}_1$  and  $\tilde{x}_2$  are *conditionally exchangeable given  $\mathcal{C}$*  if there exists a  $\mathcal{C}$ -measurable function  $\omega \mapsto \pi_\omega$  from  $\Omega$  to  $\mathcal{M}(T^2)$  such that, for  $P$ -almost all  $\omega \in \Omega$ ,

$$\mu(B_1 \times B_2 | \mathcal{C})(\omega) = \pi_\omega(B_1 \times B_2) = \pi_\omega(B_2 \times B_1), \tag{B.2}$$

where  $\mu(\cdot | \mathcal{C})$  is a regular conditional distribution for the pair  $(\tilde{x}_1, \tilde{x}_2)$  given  $\mathcal{C}$ .

LEMMA 15. Assume that there exists a sub- $\sigma$ -algebra  $\mathcal{D}$  of  $\mathcal{F}$  such that, conditional on  $\mathcal{D}$ , the random variables  $\tilde{x}_1$  and  $\tilde{x}_2$  are independent and identically distributed. Let  $\mathcal{C}$  be any countably generated sub- $\sigma$ -algebra of  $\mathcal{F}$ , let  $\mathcal{A}(\mathcal{D}, \mathcal{C}) \subset \mathcal{F}$  be the smallest  $\sigma$ -algebra that contains  $\mathcal{C}$  as well as  $\mathcal{D}$ , and assume that the regular conditional distributions  $\mu(\cdot | \mathcal{A}(\mathcal{D}, \mathcal{C}))$  for  $(\tilde{x}_1, \tilde{x}_2)$  given  $\mathcal{A}(\mathcal{D}, \mathcal{C})$  and  $\mu(\cdot | \mathcal{D})$  for  $(\tilde{x}_1, \tilde{x}_2)$  given  $\mathcal{D}$  satisfy

$$\mu(\cdot | \mathcal{A}(\mathcal{D}, \mathcal{C})) = \mu(\cdot | \mathcal{D}) \tag{B.3}$$

almost surely. Then the random variables  $\tilde{x}_1$  and  $\tilde{x}_2$  are conditionally exchangeable given  $\mathcal{C}$ . In particular,  $\tilde{x}_1$  and  $\tilde{x}_2$  are exchangeable.

PROOF. By assumption, there exists a  $\mathcal{D}$ -measurable function  $\omega \mapsto \delta_\omega$  from  $\Omega$  to  $\mathcal{M}(T)$  such that, for  $P$ -almost all  $\omega \in \Omega$ ,

$$\mu(B_1 \times B_2 | \mathcal{D}) = \delta_\omega(B_1) \cdot \delta_\omega(B_2) \tag{B.4}$$

for all  $B_1, B_2$  in  $\mathcal{B}(T)$ . For  $\mathcal{C}$  satisfying (B.3), it follows that, for  $P$ -almost all  $\omega \in \Omega$ ,

$$\mu(B_1 \times B_2 | \mathcal{A}(\mathcal{D}, \mathcal{C})) = \delta_\omega(B_1) \cdot \delta_\omega(B_2) \tag{B.5}$$

for all  $B_1, B_2$  in  $\mathcal{B}(T)$ . By the law of iterated conditional expectations, we also have

$$\mu(B_1 \times B_2 | \mathcal{C}) = E[\mu(B_1 \times B_2 | \mathcal{A}(\mathcal{D}, \mathcal{C})) | \mathcal{C}]$$

and, therefore, by (B.5),

$$\mu(B_1 \times B_2 | \mathcal{C}) = \int_{\mathcal{M}(T)} \delta(B_1) \cdot \delta(B_2) db(\delta | \mathcal{C})$$

for all  $B_1, B_2$  in  $\mathcal{B}(T)$ , where  $b(\cdot | \mathcal{C})$  is a regular conditional distribution for  $\delta_\omega$  given  $\mathcal{C}$ . The function  $\omega \mapsto \pi_\omega$  that is defined by setting

$$\pi_\omega(B_1 \times B_2) = \int_{\mathcal{M}(T)} \delta(B_1) \cdot \delta(B_2) db(\delta | \mathcal{C})(\omega)$$

for all  $B_1, B_2$  in  $\mathcal{B}(T)$  obviously satisfies (B.2). Therefore,  $\tilde{x}_1$  and  $\tilde{x}_2$  are conditionally exchangeable given  $\mathcal{C}$ . The last statement follows because  $\mathcal{C}$  may be taken to be the trivial algebra  $\{\emptyset, \Omega\}$ . □

Next, let  $(\Omega, \mathcal{F}, P)$  and  $(I, \mathcal{I}, \lambda)$  be complete atomless probability spaces. Let  $(\Omega \times I, \mathcal{F} \boxtimes \mathcal{I}, \mathcal{P} \boxtimes \lambda)$  be a Fubini extension of the product  $(\Omega \times I, \mathcal{F} \otimes \mathcal{I}, \mathcal{P} \otimes \lambda)$  and let  $f : \Omega \times I \rightarrow T$  be a process that is measurable with respect to  $\mathcal{F} \boxtimes \mathcal{I}$  and that takes values in a complete separable metric space  $T$ . The random variables  $f(\cdot, i), i \in I$ , are *essentially pairwise exchangeable* if there exists a probability measure  $\pi$  on  $T^2$  such that, for  $\lambda$ -almost all  $i_1 \in I$ , one has

$$P(\{\omega \in \Omega | f(\omega, i_1) \in B_1\} \cap \{\omega \in \Omega | f(\omega, i_2) \in B_2\}) = \pi(B_1 \times B_2) = \pi(B_2 \times B_1) \tag{B.6}$$

for  $\lambda$ -almost all  $i_2 \in I$  and all  $B_1, B_2$  in  $\mathcal{B}(T)$ . Given a countably generated sub- $\sigma$ -algebra  $\mathcal{C}$  of  $\mathcal{F}$ , the random variables,  $f(\cdot, i), i \in I$ , are *essentially pairwise conditionally exchangeable given  $\mathcal{C}$*  if there exists a  $\mathcal{C}$ -measurable function  $\omega \mapsto \pi_\omega$  from  $\Omega$  to  $\mathcal{M}(T^2)$  such that, for  $P$ -almost all  $\omega \in \Omega$  and  $\lambda$ -almost all  $i_1 \in I$ ,

$$\mu_{i_1, i_2}(B_1 \times B_2 | \mathcal{C})(\omega) = \pi_\omega(B_1 \times B_2) = \pi_\omega(B_2 \times B_1) \tag{B.7}$$

for  $\lambda$ -almost all  $i_2 \in I$  and all  $B_1, B_2$  in  $\mathcal{B}(T)$ , where  $\mu_{i_1, i_2}(\cdot | \mathcal{C})$  is a regular conditional distribution for  $(f(\cdot, i_1), f(\cdot, i_2))$  given  $\mathcal{C}$ . In the following discussion, I study the relation between essential pairwise exchangeability and essential pairwise conditional exchangeability.

**PROPOSITION 16.** *Assume that the random variables  $f(\cdot, i)$ ,  $i \in I$ , are essentially pairwise exchangeable. For any  $a \in I$ , let  $\mathcal{C}(a)$  be the sub- $\sigma$ -algebra of  $\mathcal{F}$  that is generated by  $f(\cdot, a)$ . Then, for  $\lambda$ -almost every  $a \in I$ , the random variables  $f(\cdot, i)$ ,  $i \in I$ , are essentially conditionally pairwise exchangeable given  $\mathcal{C}(a)$ .*

**PROOF.** By the Fubini property, for  $P$ -almost every  $\omega \in \Omega$ , the cross-section distribution of  $f(\omega, \cdot)$  is well defined. Denote this cross-section distribution as  $\delta(\omega)$  and let  $\mathcal{D} \subset \mathcal{F}$  be the  $\sigma$ -algebra that is generated by the mapping

$$\omega \mapsto \delta_\omega$$

from  $\Omega$  to  $\mathcal{M}(T)$ . By Proposition 3 of Qiao et al. (2016), the random variables  $f(\cdot, i)$ ,  $i \in I$ , are essentially pairwise conditionally independent and identically distributed given  $\mathcal{D}$ , and a conditional exact law of large numbers holds, so that, for  $P$ -almost all  $\omega \in \Omega$ , for  $\lambda$ -almost all  $i_1 \in I$ ,

$$\mu_{i_1, i_2}(\cdot | \mathcal{D}) = (\delta_\omega \times \delta_\omega) \tag{B.8}$$

for  $\lambda$ -almost all  $i_2 \in I$ , where  $\mu_{i_1, i_2}(\cdot | \mathcal{D})$  is a regular conditional distribution for  $(f(\cdot, i_1), f(\cdot, i_2))$  given  $\mathcal{D}$ .

I claim that, for  $\lambda$ -almost all  $a \in I$ , for  $\lambda$ -almost all  $i_1 \in I$ , the equation

$$\mu_{i_1, i_2}(\cdot | \mathcal{A}(\mathcal{D}, \mathcal{C}(a))) = \mu_{i_1, i_2}(\cdot | \mathcal{D}) \tag{B.9}$$

holds for  $\lambda$ -almost all  $i_2 \in I$ . By Proposition 3 of Hammond and Sun (2006), the fact that the random variables  $f(\cdot, i)$ ,  $i \in I$ , are essentially pairwise conditionally independent given  $\mathcal{D}$  implies that,  $\lambda$ -almost all  $a \in I$ , the random variables  $f(\cdot, i)$ ,  $i \in I$ , are also essentially pairwise conditionally independent given  $\mathcal{A}(\mathcal{D}, \mathcal{C}(a))$ . Moreover, for  $\lambda$ -almost all  $a \in I$ , conditional on  $\mathcal{D}$ , the random variables  $f(\cdot, a)$  and  $f(\cdot, i)$ ,  $i \in I$ , are independent, for  $\lambda$ -almost all  $i \in I$ . The claim that, for  $\lambda$ -almost all  $a \in I$ , for  $\lambda$ -almost all  $i_1 \in I$ , (B.9) holds for  $\lambda$ -almost all  $i_2 \in I$  now follows from Corollary 4 of Hammond and Sun (2006).

The proposition now follows from Lemma 15. □

The converse of Proposition 16 is also true.

**PROPOSITION 17.** *Assume that, for  $\lambda$ -almost every  $a \in I$ , the random variables  $f(\cdot, i)$ ,  $i \in I$ , are essentially conditionally pairwise exchangeable given  $\mathcal{C}(a)$ . Then the random variables  $f(\cdot, i)$ ,  $i \in I$ , are essentially pairwise exchangeable.*

**PROOF.** Let  $a \in I$  be such that the random variables  $f(\cdot, i)$ ,  $i \in I$ , are essentially conditionally pairwise exchangeable given  $\mathcal{C}(a)$ . Thus, for  $P$ -almost all  $\omega \in \Omega$ , for  $\lambda$ -almost all  $i_1 \in I$ , under the measure  $\mu_{\mathcal{C}(a), i_1, i_2}(\cdot | \omega)$ , the random variables  $f(\cdot, i_1)$  and  $f(\cdot, i_2)$  are exchangeable for  $\lambda$ -almost all  $i_2 \in I$ . By Proposition 3 of Qiao et al. (2016), it follows that, for  $P$ -almost all  $\omega \in \Omega$ , for  $\lambda$ -almost all  $i_1 \in I$ , under the measure  $\mu_{\mathcal{C}(a), i_1, i_2}(\cdot, \omega)$ ,



conditional on the  $\sigma$ -algebra  $\mathcal{D}$  that is generated by the cross-section distribution mapping  $\delta(\cdot)$ , the random variables  $f(\cdot, i_1)$  and  $f(\cdot, i_2)$  are independent and identically distributed for  $\lambda$ -almost all  $i_2 \in I$ . Now the proposition follows from the last statement of Lemma 15.  $\square$

Upon combining Propositions 16 and 17, one obtains the following proposition.

**PROPOSITION 18.** *The random variables  $f(\cdot, i)$ ,  $i \in I$ , are essentially pairwise exchangeable if and only if, for  $\lambda$ -almost every  $a \in I$ , the random variables  $f(\cdot, i)$ ,  $i \in I$ , are essentially conditionally pairwise exchangeable given  $\mathcal{C}(a)$ , where  $\mathcal{C}(a)$  is the sub- $\sigma$ -algebra of  $\mathcal{F}$  that is generated by  $f(\cdot, a)$ .*

#### REFERENCES

- Alesina, Alberto and Guido Tabellini (1990), “A positive theory of fiscal deficits and government debt.” *Review of Economic Studies*, 87, 403–414. [462]
- Angeletos, George-Marios and Ivàn Werning (2006), “Crises and prices: Information aggregation, multiplicity, and volatility.” *American Economic Review*, 96, 1720–1736. [463]
- Aumann, Robert (1998), “Common priors: A reply to Gul.” *Econometrica*, 66, 929–938. [464]
- Bertrand, Marianne and Sendhil Mullainathan (2004), “Are Emily and Greg more employable than Lakisha and Jamal? A field experiment on labor market discrimination.” *American Economic Review*, 94, 991–1013. [489]
- Bierbrauer, Felix J. (2009), “A note on optimal income taxation, public goods provision and robust mechanism design.” *Journal of Public Economics*, 93, 667–670. [463]
- Bierbrauer, Felix J. (2014), “Optimal tax and expenditure policy with aggregate uncertainty.” *American Economic Journal: Microeconomics*, 6, 205–257. [463]
- Bierbrauer, Felix J. and Martin F. Hellwig (2015), “Public-good provision in large economies.” Bonn. Preprint 2015-12, Max Planck Institute for Research on Collective Goods, <http://dx.doi.org/10.2139/ssrn.267042>. [463]
- Billingsley, Patrick (1995), *Probability and Measure*, third edition. Wiley, New York. [491]
- Bryant, John (1980), “A model of reserves, bank runs, and deposit insurance.” *Journal of Banking and Finance*, 4, 335–344. [462, 470]
- Chari, V. V. and R. Jagannathan (1988), “Banking panics, information, and rational expectations equilibrium.” *Journal of Finance*, 43, 749–761. [462, 463]
- de Finetti, Bruno (1931), “Funzione caratteristica di un fenomeno allatorio.” *Atti della R. Accademia Nazionale dei Lincii Ser. 6, Memorie, Classe di Scienze, Fisiche, Matematiche e Naturali*, 4, 251–299. [465]
- de Finetti, Bruno (1970/1974), *Teoria della Probabilità*. Einaudi, Turin. 1970, translation published as: *Theory of Probability*, Wiley, London, 1974. [465]

- Diamond, Douglas W. and Philip H. Dybvig (1983), “Bank runs, deposit insurance, and liquidity.” *Journal of Political Economy*, 91, 401–419. [462, 463, 470, 479]
- Doob, Joseph L. (1937), “Stochastic process depending on a continuous parameter.” *Transactions of the American Mathematical Society*, 42, 107–140. [465]
- Doob, Joseph L. (1953), *Stochastic Processes*. Wiley, New York. [465, 485]
- Feinberg, Yossi (2000), “Characterizing common priors in the form of posteriors.” *Journal of Economic Theory*, 91, 127–179. [484]
- Feldman, Mark and Christian Gilles (1985), “An expository note on individual risk without aggregate uncertainty.” *Journal of Economic Theory*, 35, 26–32. [465]
- Goldstein, Itay and Ady Pauzner (2005), “Demand deposit contracts and the probability of a bank run.” *Journal of Finance*, 60, 1293–1327. [462, 463, 470, 479]
- Gul, Faruk (1998), “A comment on Aumann’s Bayesian view.” *Econometrica*, 66, 923–928. [464, 475]
- Hammond, Peter J. and Y. Sun (2006), “The essential equivalence of pairwise and mutual conditional independence.” *Probability Theory and Related Fields*, 135, 415–427. [467, 474, 478, 493, 494, 502]
- Hammond, Peter J. and Yeneng Sun (2003), “Monte Carlo simulation of macroeconomic risk with a continuum of agents: The symmetric case.” *Economic Theory*, 21, 743–766. [466, 467, 476, 491]
- Hammond, Peter J. and Yeneng Sun (2008), “Monte Carlo simulation of macroeconomic risk with a continuum of agents: The general case.” *Economic Theory*, 36, 303–325. [466, 467, 474, 476, 478, 482, 488, 492, 494]
- Harsanyi, John C. (1967/1968), “Games with incomplete information played by Bayesian players I, II, III.” *Management Science*, 14, 159–182; 320–334; 486–502. [464, 468, 484, 487]
- Hellman, Ziv and Dov Samet (2012), “How common are common priors?” *Games and Economic Behavior*, 74, 517–525. [484, 488]
- Hellwig, Christian (2002), “Public information, private information, and the multiplicity of equilibria in coordination games.” *Journal of Economic Theory*, 107, 191–222. [462, 463]
- Hellwig, Martin F. (2011), “Incomplete-information models of large economies with anonymity: Existence and uniqueness of common priors.” Bonn. Preprint No. 2011/08, Max Planck Institute for Research on Collective Goods, <http://dx.doi.org/10.2139/ssrn.1839227>. [461]
- Hellwig, Martin F. (2013), “From posteriors to priors via cycles: An addendum.” *Economics Letters*, 118, 455–458. [484, 488]
- Hellwig, Martin F. (2019), “Incomplete-information games in large populations with anonymity.” Bonn. Preprint No. 2019/14, Max Planck Institute for Research on Collective Goods, <http://dx.doi.org/10.2139/ssrn.3487484>. [488, 489]

- Judd, Kenneth L. (1985), “The law of large numbers with a continuum of IID random variables.” *Journal of Economic Theory*, 35, 19–25. [465]
- Khan, M. Ali, and Yeneng Sun (1999), “Non-cooperative games on hyperfinite Loeb spaces.” *Journal of Mathematical Economics*, 31, 455–492. [471]
- Kyle, Albert S. (1985), “Continuous auctions and insider trading.” *Econometrica*, 53, 1315–1336. [462]
- Kyle, Albert S. (1989), “Informed speculation with imperfect competition.” *Review of Economic Studies*, 56, 317–355. [462]
- Lindbeck, Assar and Jorgen Weibull (1987), “Balanced-budget redistribution as the outcome of political competition.” *Public Choice*, 52, 273–297. [462]
- Mertens, Jean-François and Shmuel Zamir (1985), “Formulation of Bayesian analysis for games with incomplete information.” *International Journal of Game Theory*, 14, 1–29. [464]
- Milgrom, Paul R. and Robert J. Weber (1985), “Distributional strategies for games with incomplete information.” *Mathematics of Operations Research*, 10, 619–632. [482]
- Mirrlees, James A. (1971), “An exploration in the theory of optimum income taxation.” *Review of Economic Studies*, 38, 175–208. [462]
- Morris, Stephen and Hyun Song Shin (1998), “Unique equilibrium in a model of self-fulfilling currency attacks.” *American Economic Review*, 88, 587–597. [462, 463]
- Podczeck, Konrad (2010), “On existence of rich Fubini extensions.” *Economic Theory*, 45, 1–22. [466, 483]
- Postlewaite, Andrew and Xavier Vives (1987), “Bank runs as an equilibrium phenomenon.” *Journal of Political Economy*, 95, 485–491. [462, 463]
- Qiao, Lei, Yeneng Sun, and Zhixiang Zhang (2016), “Conditional exact law of large numbers and asymmetric information economies with aggregate uncertainty.” *Economic Theory*, 62, 43–64. [466, 467, 471, 474, 476, 478, 482, 492, 493, 494, 502]
- Rochet, Jean-Charles and Xavier Vives (2004), “Coordination failures and the lender of the last resort.” *Journal of the European Economic Association*, 2, 1116–1147. [462, 463, 470, 479]
- Rodrigues-Neto, Jose A. (2009), “From posteriors to priors via cycles.” *Journal of Economic Theory*, 144, 876–883. [484, 488]
- Samet, Dov (1998a), “Iterative expectations and common priors.” *Games and Economic Behavior*, 24, 131–141. [484, 485]
- Samet, Dov (1998b), “Common priors and the separation of convex sets.” *Games and Economic Behavior*, 24, 172–174. [484]
- Sun, Yeneng (2006), “The exact law of large numbers via Fubini extension and characterization of insurable risks.” *Journal of Economic Theory*, 126, 31–69. [465, 471, 472, 482, 483, 493, 494]

Sun, Yeneng and Yongchao Zhang (2009), “Individual risk and Lebesgue extension without aggregate uncertainty.” *Journal of Economic Theory*, 144, 432–442. [466, 483]

---

Co-editor Thomas Mariotti handled this manuscript.

Manuscript received 10 December, 2019; final version accepted 9 March, 2021; available online 19 March, 2021.