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Seminario: Agustín Casas (CUNEF)

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Título: Cooperation and Retaliation in Legislative Bargaining

Sala: E28

Hora: 12:30

Abstract: We study a legislative-bargaining divide-the-pie game in which some legislators have the ability to affect the amount of resources to be distributed (positively or negatively). If included in the winning coalition, these legislators cooperate and increase the size of the pie. If excluded, they retaliate and decrease it. Cooperation and retaliation produce significant changes in the equilibrium allocation relative to Baron and Ferejohn (1989). In particular, we find that, i) cooperating and retaliating districts are more likely to be included in the winning coalition, ii) the equilibrium might feature larger-than-minimum winning coalitions, and iii) there exist equilibria with inefficient output losses. Institutional weakness, captured with the agents discount rate and the potential damage, results in larger than minimal winning coalitions and less output loss. Similarly, both myopia and impatience, incentivize the creation of active districts, which weakens the institutions even further.

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