Abstract: We examine a model where a committee adopts or rejects a reform based on voting. Committee members have heterogeneous intensities of preferences for the reform, with some of them supporting it and others opposing it. The reform is efficient because it generates the largest aggregate preference intensities. Prior to voting, committee members can freely make enforceable utility transfer promises that are contingent on the committee’s decision. The promises can involve coalitions of any size ranging from a pair to the entire committee. We define equilibrium promises by 1) precluding the blocking coalitions which members can make Pareto improving internal promises and lead the group to reject the reform and, 2) minimizing the aggregate transfer promises. We find that equilibrium promises exist and are indeterminate, but do share several key characteristics. First, all equilibria require top-down promises from members with high preference intensity to members with low preference intensity for the reform. Second, when the coalition opposing the reform is large enough to induce the group to reject the reform, transfer promises restore efficiency. The promises enable the committee to adopt the reform because members of the minority coalition supporting it compensate members of the complementary majority coalition to entice them to vote for the reform. Inefficiencies resulting from voting externalities are thus removed. Third, when the committee adopts the reform because the coalition supporting it is large enough, promises may be required to preempt members of the losing coalition opposing the reform from enticing the least intense members of the coalition supporting the reform into voting against it and reversing the committee decision. The talk is based on a joint work with Jianfeng Zhang.

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