444 Lecture 18

O'Connor Chapter 5

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Day Plan

Demand Game

First, a brief note on the structure of the games at the heart of this chapter.

- These are simultaneous move games.
- They are not like the ultimatum game that you may have heard about.
- Nor are they like real world negotiations.

Negotiations

But they are a bit like negotiations.

- They are at least a little bit like strategies for a real world negotiation, espcially if it works by something like English Auction.
- The numbers are something like a reserve price.
- In principle you could complicate the game a bit more by adding in extra strategies within each round.
- But this is probably the best way to think about it.

Day Plan

Basins of Attraction

I don't have much to say here, but I really wanted to draw attention to the very surprising graph on page 114 (figure 5.3).

- I guess up to this point most of the models hadn't been *that* different from what I would have guessed a priori.
- But this one really was surprisingly different.
- Would be kind of interested in running another version of this with multiple overlapping games.

Day Plan

What is Fair

- We've talked about this a bit, but it's really worth thinking about what counts as a 'fair' distribution.
- This can have effects both for the payoffs (people value fairness) and for dynamics (people move towards fair)

Fairness and Markets

- This matters a lot in market economies.
- Often the fair outcome is the one driven by the market.
- And that's true even if different forms of market infrastrcture would have produced different outcomes.

Fairness and Deontology

- It also matters in the contexts of norms like "Don't Steal".
- Sometimes whether an outcome is coded as fair depends on how it relates to an initial condition that we accept as fair.
- And that in turn might depend on facts that, if we thought about them directly, we would not think of as morally significant.

Day Plan

Disagreement Points

The fact that different people are differentially able to walk away from a game is really important. But...

- I'm kinda suspicious of Figure 5.5 (page 119).
- The basins of attraction of the equilibria where the type with more ability to walk away end up with less are surprisingly large.
- Is there a real world situation that is like this?
- Or is this a case where the model doesn't really reflect reality?

Day Plan

Demand Game

Basins

Equity

Disagreement Points

Punishment

Varieties of Disagreement Points

Building Power

Punishment

I've been worried a bit over the course of this that we've changed what we're talking about when we discuss punishment. In particular, do we mean:

1. Changing the payoffs; or
2. Choosing a strategy that leads to lower payoffs for the 'punished'.

These are both important things, but I'm not sure they are the same thing

Punishment

And around page 126 we see some movement between these two notions.

- In the game table, punishment for a high bid is depicted as the payoffs being externally lowered.
- But then we get discussions of non-equilibrium moves within games.
- Maybe these are the same thing?
- Feels like we should keep them separate.

Day Plan

Demand Game

Basins

Equity

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Building Power

Population Divergence

I really liked the stuff around page 126 on what happens if there is divergence within the population.

- Most of the games so far have essentially presupposed uniform populations, at least within types.
- Here we get a nice effect of the existence of a sub-population within one but not the other type.

Credible Signals

And this I think really does matter to the real world.

- Sometimes what matters in these games is not what your disagreement point is, but what you can credibly signal that it is.
- We're getting back here to things that would come up if we modelled each interaction as a negotiation over time.
- Anyway, sometimes it is really obvious what your type is, but there is no way to credibly signal willingness to walk away.
- And in that case, the other player might (quite rationally!) assume that your disagreement point is something like the average of your type, whatever non-credible signal you send.

Day Plan

Building Power

I was a bit confused by the game on page 128 and after, where success causes one to have a higher disagreement point.

- I don't really see the causal mechanism for this; it seemed much more plausible in the other direction.
- Maybe it's that the returns to the game come in resources that can be saved?
- Maybe it's that there will be other games to play - where your type by default gets the good side of the equilibrium?
- It's a nice game, but I would like to hear more about the real world application.