“One-to-Many Bargaining with an Endogenous Protocol”
(in English)

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Biography
Duozhe Li received his PhD in economics from Boston University in 2005. He joined the Department of Economics at the Chinese University of Hong Kong as an assistant professor in the same year. Duozhe’s primary research interest is game theory with the emphasis on noncooperative bargaining theory and its applications in microeconomics. His work has appeared in Journal of Economic Theory, Journal of Economic Behavior & Organization, etc.

Date: 18 April 2011 (Monday)
Time: 11:00am – 12:30pm
Venue: SO322, Dorothy Y. L. Wong Building

Abstract
This paper studies a model of bargaining between one active player and multiple passive players. In contrast to most of the literature, which assumes a fixed bargaining protocol, in our model the active player can choose to bargain with any passive player in each period; thus, the bargaining protocol is endogenously determined. Another new feature of the model is that the passive players are, in general, heterogeneous in terms of their bargaining power. We investigate what bargaining protocols can arise in equilibria and identify the upper and lower bounds of each party’s equilibrium payoff. Whereas in general the model admits multiple equilibria, we demonstrate that the commonly assumed rotating bargaining protocol is not self-enforcing when agreements are enforced by cash-offer contracts. Without a fixed protocol, the active player can play one passive player off against another in a “skimming equilibrium”, and her maximum payoff in such equilibrium converges to that from bargaining with only the weakest opponent.

ALL ARE WELCOME

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