Year 2008 *Paper* 1067

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Abstract

This paper studies a class of information aggregation models which we call "aggregation games." It departs from the related literature in two main respects: information is aggregated by averaging rather than majority rule, and each player selects from a continuum of reports rather than making a binary choice. Each member of a group receives a private signal, then submits a report to the center, who makes a decision based on the average of these reports. The essence of an aggregation game is that heterogeneous players engage in a "tug-of-war," as they attempt to manipulate the center's decision process by mis-reporting their private information. When players have distinct biases, almost of them rationally exaggerate the extent of these biases. The degree of exaggeration increases with the number of players: if the game is sufficiently large, then almost all players exaggerate to the maximum admissible extent, regardless of their individual signals. In the limit, the connection between players' private information and the outcome of the game is obliterated.

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Keywords: information aggregation; majority rule; proportional representation; mean versus median mechanism; strategic communication; incomplete information games; strategic information transmission

JEL classification: F71, D72, D82.

Date: October 2, 2008 .

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Acknowledgements:

1. Introduction

We consider a class of games that are naturally characterized as *aggregation games*. There is a finite collection of players. Each player is characterized by two parameters: the first is a privately observed signal, identified with the player's *type*; the second is an observable characteristic, such as a voting record, profession, income or location. Players' types are continuously distributed on a compact interval and the distribution of types is common knowledge. Players simultaneously observe their signals, then make reports to a central authority, who makes a decision which affects all of them. Reports are restricted to lie in a compact interval. The authority's decision rule is fixed and commonly known. The defining property of an aggregation game is that two of its key components—the central authority's decision and players' utilities—depend on players' realized types only through the mean of these realizations. Specifically, a player's strategy in an aggregation game is to make a report based on his type. The center maps the mean of these reports, paired with the vector of observable characteristics, to some interval. Each player's utility depends on his own observable characteristic, the center's decision and the mean of players' privately observed signals.

This paper contributes to an extensive literature on information aggregation that goes back to Condorcet (1785). A common theme of this literature, which we review in §2, is that individuals send messages to the center, which are somehow aggregated and mapped to an outcome that affects everybody. The question is then asked: how well does the aggregation process work? Specifically, under what circumstances does the resulting outcome coincide with the one that would have been selected by a welfare-maximizing decision maker, had all of the private information been publicly available? The institution/aggregation mechanism which has been examined most thoroughly is majority rule, especially in the context of juries and elections. This paper examines an alternative mechanism—report averaging—which characterizes a wide variety of decision-making processes. For example, many elections are decided by proportional representation rather than majority rule; in many competitions, the winner is the candidate who receives the highest average score from a panel of judges; in computing the extent of damages in environmental lawsuits, courts are asked to average the contingent valuations provided by samples of the population. In spite of its practical significance, the averaging mechanism has received much less attention than majority rule.

Our model can be interpreted in a number of ways. In one, our *Bayesian interpretation*, the center treats players' type reports as a sample of signals drawn from a distribution whose unknown mean is payoff relevant. The center acts non-strategically, ignoring the possibility that agents might mis-report their observed signals. Under this interpretation, the distribution of player types is the marginal joint distribution of the sample data. The center's decision rule depends on the mean of players' announcements, which it treats mechanically as an estimate of the unknown population mean. Each player's utility depends on the center's choice, as well as the (unobservable) mean of all players' signals, which is a sufficient statistic for the mean of the signal distribution. The third argument of a player's utility is his own observable characteristic, interpreted as the individual's subjective bias relative to the best available estimate of the truth. Consider, for example, the following story. The center is the executive of an art museum which is trying to expand its French Impressionist collection. The players are the museum's panel of experts. Players' types are signals drawn from a distribution whose mean is the true market value of a Monet painting. The center's task is to decide on a bid-price to submit for this painting at an auction. The experts want the museum's decision to be based on the painting's true value, but some, who think the museum should accumulate more Monets, assign an opportunity cost of less than one dollar to the last dollar of the market value of this painting; others, who think the museum should focus on lesser known Impressionists, would assign an opportunity cost exceeding one dollar to this last dollar.

Our Bayesian interpretation, while natural and widely applicable, does imply certain restrictions on our model. In particular, though our model is most tractable when player types are uniformly distributed on some interval, it is difficult to imagine how one could update a Bayesian prior if the marginal distribution of the sample data were uniform! Accordingly, we offer an alternative interpretation which involves no implied restrictions on the type distribution. In this case, the center aggregates information but does not draw inferences from it. We will refer to this interpretation as our *non-statistical* interpretation. Again, each player's type is the realization of a random variable, but now the realization is interpreted as the true value of a single component of some vector. The center's decision is, again, based on the mean value of players' reported types, which is here interpreted as a summary value of a composite assessment. The utility that each player associates to the vector depends on this summary value, but is also subject to idiosyncratic bias. To illustrate, consider a story similar to our first one. The center is now the chair of a faculty hiring committee; the players are its committee members. The center's task is to decide on a salary offer for a job candidate whose value to the faculty is multi-dimensional, depending on her teaching ability, research in various fields, grant acquisition record, and other criteria. Each committee member is assigned the task of scoring the candidate on one of these dimensions; the score is represented by the member's type. In this example, the center bases its salary decision on the average of these scores. Faculty members want the candidate's offer to reflect her market value, which depends on all of the dimensions being evaluated, but because each has a personal bias either in favor or against her, different members would prefer the salary offer to be either above or below market.

For concreteness, we will sometimes refer to the players in our game as "right-wingers" and "left-wingers," and distinguish between moderates and extremists. Right-wingers want to distort to the right the average signal that the center receives, and extremists want to distort more than moderates. While all players' strategies will increase with their types, right-wingers' strategies will strictly exceed the identity map, to the extent that this is admissible. For example, if the space of admissible announcements coincides with the type space, then high types of right-wingers will be constrained by the upper bound on admissible announcements, and extreme right-wingers will be constrained with higher probabilities than moderates. The situation is symmetric for left-wingers.

Our analysis sheds light on the averaging mechanism in both large games and small ones. We show that when information is averaged in large games, the implications are diametrically different from when majority rule is applied. A highly robust property of majority rule models is that information is aggregated increasingly effectively as the number of players (henceforth n) approaches infinity: in the limit of many such models, the decision taken by the center coincides with the one that would have been taken if everybody's private information had been common knowledge. In this paper, we show that under quite general conditions, private information is entirely obliterated as n approaches infinity: the outcome of our game converges to a constant which is independent of players' realized private information.

The driving force behind this result is rational exaggeration. Each player in our model wants to distort the average signal that the center receives by an amount that is independent of n. But as n increases, a single individual's leverage over the average declines, so that more exaggeration is required in order to accomplish a given impact on the aggregate outcome. When the space of admissible reports is compact and n is sufficiently large, a right-winger, even if his type realization is low, will be driven to the upper boundary of the admissible report space in a vain attempt to shift the mean announcement to the right. In this way, compactness bounds the extent of admissible exaggeration: the best a right-winger can do is to select the highest admissible announcement, regardless of his type. Once this bound is reached, the connection between the player's private signal and his announcement is severed. As n gets larger, first extremists, then moderates, are pushed to this corner; increasingly, the boundary values of the announcement space dominate the determination of the mean signal, and the impact of private information shrinks to zero.

In small aggregation games, the boundaries of the announcement space impact the game in a more nuanced fashion. If n is sufficiently small relative to the degree of player heterogeneity, extreme behavior of the kind just described cannot occur: each player's announcement will vary with his type, at least in some region of the type space. But the bounds still play a pivotal role. Without them, right- and left-wingers would be engaged in an endlessly escalating tug-of-war: the former would distort their signals further and further to the right, in order to offset increasingly magnified leftward distortions. Indeed, a central result of our paper is that in order to break this diverging cycle, all but at most one player must be constrained with positive probability by one of the boundaries. Thus, some degree of information loss is a necessary condition for equilibrium.

The paper is organized as follows. §2 relates our model to the literature. In §3 we introduce our model in its most general form and prove that every aggregation game has a pure strategy equilibrium in which players' strategies are monotone in their types. We show that in any equilibrium, at most one player can be unconstrained by the boundaries with probability one. We then prove that as the number of players expands, the equilibrium outcome becomes increasingly independent of both *ex-ante* and *ex-post* private information. §4 demonstrates that incentives to mis-report do not arise when players have *ex ante* identical characteristics. In §5-§7, we focus on small "quadratic" games. The ultimate goal in these sections is to explore how the information losses due to boundary constraints depend on fundamental parameters. In order to obtain determinate comparative statics results, we impose further restrictions: we assume that players' utilities are "biased quadratic loss functions."[1] In §5, we develop machinery that will be applied in the comparative statics analysis

[1]We use the term "biased quadratic loss function" to denote a loss function $L(x,\bar{x},b) = -((\bar{x}+b)-x)^2$. in which the target value is the truth $\bar{x}$ plus a bias b. This specification is standard in the costless information transmission literature. See for example Crawford and Sobel (1982) and Morgan and Stocken (2008), and the references cited in their fn. 10.

in §6 and §7. Every quadratic game has a unique pure strategy equilibrium, in which a player's *unconstrained* strategy is an affine function of his type.

It turns out that quadratic games are particularly tractable when there is one player whose affine strategy is never constrained by the announcement bounds. We call this player the "anchor" and identify a class of games called anchored games. In §6, we study anchored games that are symmetric in a strong sense: there is a right-wing faction and a precisely symmetric left-wing faction. Several of the properties of these games are quite striking. Outcomes, payoffs and aggregate welfare are all independent of the bounds on the announcement space, provided these bounds contain the type space and are modified in tandem to preserve symmetry. To explore in a controlled environment the effect of increasing n, we clone repeatedly a small set of players until the point at which some players are constrained with probability one, thus generating a finite sequence of increasingly large games. If the type distribution is uniform, players' payoffs initially decline due to increased information losses; eventually, however, this decline is reversed as the law of large numbers asserts itself and players' distortions tend more and more to offset each other. We also investigate the impact of player heterogeneity: intuitively, payoffs decline as heterogeneity increases. However, if initially the two factions are sufficiently polarized, payoffs will actually increase when we increase the heterogeneity of each *faction*, holding constant the faction means. §7 studies a quite different class of anchored games, in which the upper bound on the announcement space is so high that it never binds in equilibrium. Games in this class are anchored by the player with the highest observable characteristic. In spite of the obvious structural differences, this class of games has properties that are remarkably similar to those of symmetric games. §8 concludes. A † sign after the title of a proposition indicates that its proof is in the appendix. When propositions follow immediately from arguments in the text, formal proofs are omitted.

2. RELATED LITERATURE

In assessing the prior literature, it is helpful to classify it along three dimensions. The first distinguishes between models of majority rule versus averaging mechanisms; the second between models in which players' preferences prior to receiving their private signals are homogeneous or heterogeneous; the third between choice sets containing either two or a continuum of options. We discuss a small selection of papers that relate most closely to our analysis.[2]

The related literature focuses primarily on the informational efficiency of voting under majority rule. The classical Condorcet Jury Theorem established conditions under which, when voters with identical preferences select non-strategically (or *sincerely*) between two alternatives based on their private information, and the majority prevails, then as the number of voters increases without bound, information is in the limit perfectly aggregated, in the sense that the majority's choice coincides with the choice that would be taken if all private information were publicly available. (Feddersen and Pesendorfer (1997) [FP] later call this property "full information equivalence.") Austen-Smith and Banks (1996) [AB] study the relationship between sincerity and rationality. Under majority rule, rationality dictates that one should decide how to vote conditional on the presumption that one's vote is decisive (or *pivotal*). Conditional on being pivotal, one can make inferences about the distribution of other players' realized signals and thus about the true state of the world. Rationality requires that these inferences be taken into account when deciding how to vote. AB then show that for three very simple specifications, voting sincerely is, except in very special circumstances, incompatible with voting *informatively*, i.e, in a way that depends nontrivially on one's private signal. While AB focused on small games, FP explores the implications of pivotality in large ones. FP's specification of players' preferences is quite similar to ours, except that their center chooses between two alternatives according to majority rule.[3] FP consider a sequence of games in which n increases without bound; when players condition on pivotality, their limit game exhibits full information equivalence. This property is quite robust. For example, McLennan (1998) considers sequences of games with increasing n in which players have common preferences; full information equivalence again holds in the limit under very general conditions. Lohmann (1993) identifies conditions under which the same property holds when players demonstrate rather than vote.

As we noted in §1, matters are quite different when the center averages players' reports rather than applies majority rule. A major source of the difference is that pivotality no longer plays any role, since the leverage that an individual has on the center's decision is now independent of the

[2] Piketty (1999), Gerling et al. (2005) and Dewan and Shepsle (2008) all survey the literature quite extensively.
[3] A second difference is that our players' biases are publicly known while theirs are private information.

actions taken by other players. Consequently, players simply condition their actions on their private signals, just as they do under Condorcet's sincere voting. One of very few papers that focuses exclusively on the averaging mechanism is Morgan and Stocken (2008) [MS]. MS's constituents, who have varying degrees of bias, are polled about the state of the world. Each one receives a binary signal about this state, and sends one of two possible reports. The center aggregates these reports and chooses a policy accordingly. A right-winger who receives a left-favoring signal is tempted to mis-report in order to bias the center's decision to the right. If n is small enough, he will be deterred from doing so by the possibility that he might over-shoot, shifting the policy to the right of his preferred location. As n increases, the possibility of overshooting diminishes along with each individual's leverage over the ultimate policy decision, so that more and more constituents vote according to their biases rather than their information.

MS demonstrate that even when n is large, full information equivalence can be restored through stratified sampling: by eliminating the responses of those identifiable as strongly biased based on observable criteria, the center in effect limits the size of the game, restoring the remaining centrists' leverage over the outcome, which induces them to respond based on their realized information rather than their biases, in order to avoid overshooting. MS and our paper are similar in many respects. In particular, both highlight the negative impact on information transmission of the averaging mechanism. The primary difference between MS and our paper is that their players make a binary choice while our players receive signals and select responses from a continuum of options. Overshooting is not a deterrent in our model; our players can mis-report to whatever extent they desire, except when they are constrained by the announcement bounds. More important, the notion of *rational exaggeration*, which is central to our paper, has no meaning when agents make binary choices.

Gruner and Kiel (2004) [GK] compare the performance of games in which the center chooses either the median or the mean of players' reported private information. Their median model corresponds to majority rule; their mean model corresponds to our averaging mechanism. In contrast to the papers discussed above, GK's players choose from a continuum of reports rather than make a binary choice. In contrast to our model, the biases of GK's players are proportional to their private signals; with this non-standard assumption, GK can obtain existence without requiring the announcement space to be compact. GK's formal results focus exclusively on the relationship between the magnitude of players' biases and the relative performance of the two mechanisms. Their major conclusion is that the mean mechanism outperforms the median iff agents' biases are sufficiently small. Indeed, as in our paper, the mean mechanism achieves the first best when all biases are zero. While they do not study formally the comparative statics effects of n, GK do provide examples showing that with biased players, the performance of the mean mechanism deteriorates as n increases from 3 to 7.

GK's examples illustrate nicely some of the themes that are central to this paper. The mean dominates the median when players have common interests because the former utilizes all reported information and agents have no incentive to misreport; by contrast, the median mechanism utilizes only the reported information that the median player provides, so that perfectly good information is ignored. When players have significant biases, however, this strength of the mean mechanism is also its weakness, which is exacerbated as n increases. As noted, an individual's leverage over the center's decision declines with n, requiring more and more exaggeration in order to accomplish a given shift; in addition, under the mean mechanism, there is the "tug-of-war" aspect of exaggeration that we discuss above on p. 4. Both effects diminish the accuracy of reported information. Under the median mechanism, on the other hand, the median player has one-to-one leverage: she does not have to engage in a tug-of-war with other players; nor is her leverage diluted by n. Since players under this mechanism condition their reports on being pivotal (i.e., on being the median player), the information they report is much closer to the truth.

Still another framework is presented by Razin (2003), in which an electorate with common preferences chooses between two candidates. Each voter receives a private signal that is correlated with the ideal policy location. The winning candidate treats the magnitude of his victory as a guide for setting policy. Because both candidates have ideological biases, while the population is ideologically neutral, the policy that would be selected if all private information were revealed would be extreme relative to the electorate's common bliss point. Depending on the degree to which candidates are polarized, and the responsiveness of their policy choices to election results, there will be a conflict between voters' motivation to select the more appropriate candidate, conditional on being pivotal, and their unconditional motivation to correct for the winning candidate's ideological bias.

From our perspective, the primary interest of Razin's paper is that it melds into one mechanism the averaging and majority rule mechanisms that we seek to compare.

3. The Model

An aggregation game is an incomplete information simultaneous-move game among n players, indexed by $r = 1,\dots,n$. For any $\mathbf{x} \in \mathbb{R}^n$ the symbol $\mu(\mathbf{x})$ will denote the average of $\mathbf{x}$'s components.

Player characteristics: We assume that each player is characterized by an *observable characteristic* and a *type*. Player r's *type* is $\theta_r \in \mathbb{R}$, which is his private information. We assume that the θ_r's are identically, independently and continuously distributed on the compact interval $\Theta \equiv [\underline{\theta}, \overline{\theta}] \subset \mathbb{R}$, with $\overline{\theta} > \underline{\theta}$. Let $\eta(\cdot)$ denote the density, and $H(\cdot)$ the c.d.f., of players' types. Let $\boldsymbol{\Theta} = \Theta^n$ denote the space of *type profiles*, with generic element $\boldsymbol{\theta}$. Similarly, let $\boldsymbol{\Theta}_{-r} = \Theta^{n-1}$ be the space of types for players other than r. For $\boldsymbol{\theta}_{-r} \in \boldsymbol{\Theta}_{-r}$, let $\boldsymbol{\eta}_{-r}(\boldsymbol{\theta}_{-r}) = \prod_{i \neq r} \eta(\theta_i)$. Player r's observable characteristic is denoted by $k_r \in \mathbb{R}$ and is interpreted as r's bias w.r.t. revealed information: a player whose characteristic is positive prefers the center to over-estimate the mean of players' types. We refer to the vector $\mathbf{k} = (k_r)_{r=1}^n$ as the *observable characteristic profile*. To avoid special cases and/or additional notation:, we impose two restrictions on observable characteristics: players' biases cancel each other out in the aggregate and they are distinct.

Assumption A1: (i) $\sum_i k_i = 0$; (ii) $i \neq r \implies k_i \neq k_r$.

Restriction (i) yields a clean expression for welfare while (ii) ensures uniqueness. Part (ii) will be relaxed in §4 as well as §6.1 and §7.1.

The utility function: The *utility function* is a mapping $u : T \times \boldsymbol{\Theta} \times \mathbb{R} \to \mathbb{R}$, where $T \subset \mathbb{R}$ is compact. The scalar first argument of u can be interpreted as the decision taken by a central authority, in response to information provided by the players: $u(\tau, \boldsymbol{\theta}, k)$ is the utility to a player with observable characteristic k, when the central authority's decision is τ and the vector of unobservable characteristics is $\boldsymbol{\theta}$. The essence of an aggregation game is that a player's type affects his utility only through its effect on the average of all players' types. Specifically, we impose

Assumption A2: $\mu(\boldsymbol{\theta}) = \mu(\boldsymbol{\theta}') \implies u(\tau, \boldsymbol{\theta}, k) = u(\tau, \boldsymbol{\theta}', k)$

In the formal development below, we will, depending on which is more convenient, write the second argument of u either as the vector $\boldsymbol{\theta}$ or the scalar $\mu(\boldsymbol{\theta})$.

Pure strategies: A *pure strategy* for player r is a function $s_r : \Theta \rightarrow A$ where $A = [\underline{a}, \bar{a}]$ is a compact interval representing the set of admissible announcements, and $s_r(\theta_r)$ is the announcement of player r when his type is θ_r. (Henceforth, the symbol s_r will denote a *function* from types to A, while a_r will denote a particular value of $s_r(\theta_r)$.) The vector $\mathbf{s} = (s_1, \ldots, s_n)$, called a *pure strategy profile*, is thus a mapping from $\boldsymbol{\Theta}$ to $\mathbf{A} = A^n$. A pure strategy $s_r(\cdot)$ is said to be *monotone* if it is nondecreasing and strictly increasing except when $s_r(\cdot)$ is at the boundary of A. Since the space A is bounded both above and below, if s_r is monotone, there exists a *low threshold type* $\underset{\sim}{\theta}_r \in [\underline{\theta}, \overline{\theta}]$ and a *high threshold type* $\tilde{\theta}_r \in [\underline{\theta}, \overline{\theta}]$ such that s_r equals $\underline{a}$ on $[\underline{\theta}, \underset{\sim}{\theta}_r)$, is strictly increasing on $(\underset{\sim}{\theta}_r, \tilde{\theta}_r)$ and equals $\bar{a}$ on $(\tilde{\theta}_r, \overline{\theta}]$.[4] Formally,

$$\underset{\sim}{\theta}_r(s_r) = \begin{cases} \underline{\theta} & \text{if } s_r(\underline{\theta}) > \underline{a} \\ \sup\ \{\theta \in \Theta : s_r(\theta) = \underline{a}\} & \text{if } s_r(\underline{\theta}) = \underline{a} \end{cases}, \tag{1a}$$

$$\tilde{\theta}_r(s_r) = \begin{cases} \overline{\theta} & \text{if } s_r(\overline{\theta}) < \bar{a} \\ \inf\ \{\theta \in \Theta : s_r(\theta) = \bar{a}\} & \text{if } s_r(\overline{\theta}) = \underline{a} \end{cases}. \tag{1b}$$

The outcome function: The *outcome function*, $t : A^n \times \mathbb{R}^n \rightarrow \mathbb{R}_+$, maps player announcements and the vector of observable characteristics to actions by the central authority. Our center aggregates information mechanically rather than strategically. Indeed, we restrict outcome functions to be *complete information socially efficient (CISE)*, meaning that if players truthfully reveal their types on average, the outcome t will maximize social welfare, defined as the average of players' individual utilities. That is, defining the *social welfare function* as

$$w(\tau, \boldsymbol{\theta}, \mathbf{k}) = \sum_i u(\tau, \boldsymbol{\theta}, k_i)/n, \tag{2}$$

the CISE outcome function is $t(\boldsymbol{\theta}, \mathbf{k}) = \text{argmax } w(\cdot, \boldsymbol{\theta}, \mathbf{k})$. We refer to an outcome implemented by a CISE outcome function as a *CISE outcome*. It follows from assumption A2 that CISE outcomes

[4]Either one of the half-open intervals can be empty. For example, if $s_r(\cdot) > \underline{a}$ on Θ then the interval $[\underline{\theta}, \underset{\sim}{\theta}_r(s_r))$ is empty.

depend on players' announcements only through their average, i.e.,

$$\mu(\mathbf{a}) = \mu(\mathbf{a'}) \quad \Longrightarrow \quad t(\mathbf{a},\mathbf{k}) = t(\mathbf{a'},\mathbf{k}) \tag{3}$$

Once again, we will write the first argument of t as either an n-vector or its average, depending on convenience. Also, since $\mathbf{k}$ is typically fixed, we will often omit t's second argument.

Player's expected payoff functions: Player r's expected payoff function, U_r, maps his own announcement and type into his utility, given other players' strategies. Our expression for U_r suppresses r's observable characteristic and the outcome function. Formally, given a profile, $\mathbf{s}_{-r}$, of strategies for players other than r, player r's expected payoff function $U_r : A \times \Theta \to \mathbb{R}_+$ is

$$U_r(a,\theta;\mathbf{s}_{-r}) \quad = \quad \int_{\boldsymbol{\Theta}_{-r}} u\left(t\left((a,\mathbf{s}_{-r}(\boldsymbol{\vartheta}_{-r})),\mathbf{k}\right),(\theta,\boldsymbol{\vartheta}_{-r}),k_r\right) d\boldsymbol{\eta}_{-r}(\boldsymbol{\vartheta}_{-r}). \tag{4}$$

In what follows, the derivative $\frac{\partial U_r}{\partial a}$ will play an important role; when confusion can be avoided, we will abbreviate this expression to U_r'.

Equilibrium: A *monotone pure strategy Nash equilibrium* (MPE) for an aggregation game is a monotone strategy profile $\mathbf{s}$ such that for all r, $\theta \in \Theta$, and $a \in A$, $U_r(s_r(\theta),\theta;\mathbf{s}_{-r}) \geq U_r(a,\theta;\mathbf{s}_{-r})$.

We make the following additional assumptions throughout the paper.

Assumption A3: The density, $\eta(\cdot)$, of players' types is bounded.

Assumption A4: The utility function u is bounded and thrice continuously differentiable. For each k and $\mu(\boldsymbol{\theta})$, $u(\cdot,\mu(\boldsymbol{\theta}),k)$ is strictly concave.

Assumption A5: For all $(\tau,\mu(\boldsymbol{\theta}),k)$, (i) $\frac{\partial^2 u(\tau,\mu(\boldsymbol{\theta}),k)}{\partial\tau\partial\mu(\boldsymbol{\theta})} > 0$, and (ii) $\frac{\partial^2 u(\tau,\mu(\boldsymbol{\theta}),k)}{\partial\tau\partial k} > 0$.

Assumption A6: For all k and $\boldsymbol{\theta}$, $u(t(\cdot,\mathbf{k}),\mu(\boldsymbol{\theta}),k)$ is strictly concave in $\mu(\mathbf{a})$, the average of players' announcements.

Some additional assumptions will be introduced later. Whenever a list of assumptions is not explicitly included in the statement of a proposition below, this means that A1-A6 are satisfied.

Assumptions A4 and A5(i), together with the fact that $t(\cdot)$ is CISE, imply that:

$$t(\cdot,\mathbf{k}) \text{ is strictly increasing and continuously differentiable in } \mu(\mathbf{a}). \tag{5}$$

Assumption A6 implies that

$$U_r \text{ is strictly concave w.r.t. its first and third arguments.} \tag{6}$$

Assumption A3 is required to ensure that pure-strategy equilibria exist. Assumption A5 states that players with higher unobservable and/or observable characteristics derive higher marginal utility from an increase in the central authority's decision.[5] Assumption A6 is not entirely straightforward. It states that $\frac{\partial^2 u}{\partial(\mu(\mathbf{a}))^2} = \frac{\partial^2 u}{\partial t^2}\left(\frac{\partial t}{\partial\mu(\mathbf{a})}\right)^2 + \frac{\partial u}{\partial t}\frac{\partial^2 t}{\partial(\mu(\mathbf{a}))^2}$ is globally negative. However, since u is not monotone in t, the second term cannot be signed in general.[6] We make this assumption to simplify the analysis. In particular, since $U_r' = \int_{\boldsymbol{\Theta}_{-r}} \frac{\partial u}{\partial t}\frac{dt}{da} d\boldsymbol{\eta}_{-r}(\boldsymbol{\vartheta}_{-r})$, assumption A6 implies that for all r, all θ and all $\mathbf{s}_{-r}$, $U_r(\cdot,\theta;\mathbf{s}_{-r})$ is strictly concave in a. Thus, each player has a unique optimal response to other players' strategies.

From (5), t is strictly increasing; it follows, therefore, from (4) and A5(i) that

$$\text{for all } r, \text{ all } a, \text{ all } \theta \text{ and all all } \mathbf{s}_{-r}, \quad \frac{\partial^2 U_r(a,\theta;\mathbf{s}_{-r})}{\partial a\partial\theta} > 0. \tag{7}$$

Inequality (7) states that U_r satisfies Milgrom-Shannon's condition SCP-IR in $(a;\theta)$ (see fn. 5). In our context, this property implies Athey's sufficiency condition, SCC, for existence of a pure-strategy equilibrium, i.e., "the single crossing condition for games of incomplete information"

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[5] Assumption A5(i) is a strict version of the "single crossing property of incremental returns (SCP-IR)" (Milgrom and Shannon, 1994) in $(\tau;\theta)$ when the utility function is differentiable (Athey, 2001, Definition 1).

[6] A sufficient condition to ensure Assumption A6 will hold is that $t(\cdot,\mathbf{k})$ is linear.

(Athey, 2001, Definition 3). Athey's condition requires that U_r satisfies SCP-IR only if other players play non-increasing strategies. Our U_r's satisfy SCP-IR regardless of other players' choices.

Proposition 1 (Existence of an MPE):[†] *Every aggregation game has a monotone pure-strategy Nash equilibrium,* $\mathbf{s}$*, with the property that for each* r*,* s_r *is continuously differentiable on* $(\underset{\sim}{\theta}_r(\mathbf{s}), \tilde{\theta}_r(\mathbf{s}))$.

The Kuhn-Tucker conditions defining r's optimal strategy s_r are, for all $\theta \in \Theta$,

$$s_r(\theta) \quad = \quad \begin{cases} a & \text{if } U_r'(a, \theta; \mathbf{s}_{-r}) = 0 \text{ and } a \in [\underline{a}, \bar{a}] \\ \bar{a} & \text{if } U_r'(\bar{a}, \theta; \mathbf{s}_{-r}) > 0 \\ \underline{a} & \text{if } U_r'(\underline{a}, \theta; \mathbf{s}_{-r}) < 0 \end{cases} \tag{8}$$

The essence of an aggregation game is that heterogeneous players are engaged in a "tug-of-war," trying to influence the equilibrium outcome through their announcements. As soon as one player who prefers a higher outcome attempts to influence the center by increasing his announcement, another player who prefers a lower outcome will counter by decreasing hers. In the absence of bounds on announcements, this tug-of-war would go on endlessly. Thus, a necessary condition for existence of MPE is that the announcement space A be compact. The bounds on announcement space essentially limit how far players can go in mis-reporting their types. We will observe below that players with different observable characteristics are restricted by the bounds to different degrees, and certain player-types "do particularly well" in equilibrium. To clarify concepts, we introduce some definitions. We will say that player r's strategy $s_r(\cdot)$ is

(1) *nondegenerate (resp. degenerate)* if the interval $(\underset{\sim}{\theta}_r(s_r), \tilde{\theta}_r(s_r))$ is non-empty (resp. empty).

(2) is *constrained at* θ if the announcement $s_r(\theta)$ equals either $\underline{a}$ or $\bar{a}$,

(3) is *up-constrained* if $\underset{\sim}{\theta}_r(s_r) = \underline{\theta}$ and $\tilde{\theta}_r(s_r) < \overline{\theta}$,

(4) is *down-constrained* if $\underset{\sim}{\theta}_r(s_r) > \underline{\theta}$ and $\tilde{\theta}_r(s_r) = \overline{\theta}$,

(5) is *single-constrained* if it is either up-constrained or down-constrained,

(6) is *bi-constrained* if $\underset{\sim}{\theta}_r(s_r) > \underline{\theta}$ and $\tilde{\theta}_r(s_r) < \overline{\theta}$.

(7) is *almost-never-constrained* if $\underset{\sim}{\theta}_r(s_r) = \underline{\theta}$ and $\tilde{\theta}_r(s_r) = \overline{\theta}$,

Degenerate (resp. *almost-never-constrained*) strategies pick boundary (resp. interior) points of A with probability 1.[7] An MPE in which each player's strategy is non-degenerate is called an NMPE.

[7]The distinctions made here relate to the concept of *informative* voting, which recurs throughout the information transmission literature. (It appears to have been introduced in Austen-Smith and Banks (1996).) Almost-never-constrained strategies are informative, and degenerate ones are uninformative; the remaining types are somewhere in between.

Prop. 1 established that players' equilibrium strategies are monotonic in types. We next establish that strategies are also monotone with respect to players' observable characteristics. That is, if $k_i > k_j$ but both players are of the same type, i's announcement will strictly exceed j's, except when both announcements are at the same boundary $\underline{a}$ or $\bar{a}$. Moreover, as n increases, the gap between i's and j's equilibrium announcements increases until one or both players' strategies become degenerate: if j's (resp. i's) first order condition is satisfied with equality for some type and n is large enough, i (resp. j) will announce the upper bound $\bar{a}$ (resp. lower bound $\underline{a}$) with probability one.

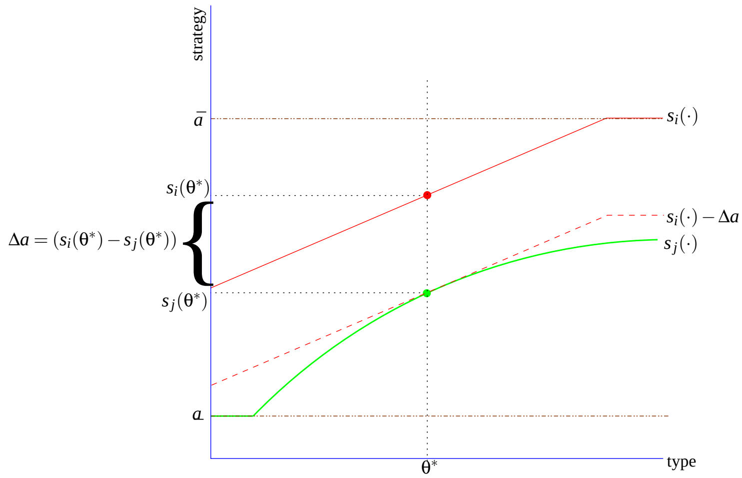

FIGURE 1. Intuition for Prop. 2

Proposition 2 (Monotonicity w.r.t. observable characteristics):† *If* $\mathbf{s}$ *be an MPE, then for all* $\varepsilon > 0$ *and for all* i *and* j *such that* $k_i - k_j > \varepsilon$,

i) $\underset{\sim}{\theta}_i(\mathbf{s}) \leq \underset{\sim}{\theta}_j(\mathbf{s})$ *and* $\tilde{\theta}_i(\mathbf{s}) \leq \tilde{\theta}_j(\mathbf{s})$.

ii) $s_i(\cdot) > s_j(\cdot)$ *on the interval* $\left(\underset{\sim}{\theta}_j(\mathbf{s}), \tilde{\theta}_i(\mathbf{s})\right)$.

Further, there exists $N \in \mathbb{N}$ *such that*

iii) *if* $n > N$ *and* s_j *is non-degenerate, then* $s_i(\cdot) = \bar{a}$.

iv) *if* $n > N$ *and* s_i *is non-degenerate, then* $s_j(\cdot) = \underline{a}$.

In the discussion of Prop. 2 that follows, we will say that the $\bar{a}$ (resp. $\underline{a}$) constraint is *binding* on r at θ if the unconstrained optimal response of player r of type θ to $\mathbf{s}_{-r}$ strictly exceeds $\bar{a}$ (resp. is strictly less than $\underline{a}$). Note significantly that by continuity, the $\bar{a}$ (resp. $\underline{a}$) constraint is *not* binding on r at $\tilde{\theta}_r(\mathbf{s})$ (resp. $\underset{\sim}{\theta}_r(\mathbf{s})$). The key to the proof of Prop. 2 is the observation that if s_i and s_j form part of an equilibrium profile, then at any type θ^* belonging to the (necessarily nonempty) set $\Theta^* \equiv \arg\min\left(s_i(\cdot) - s_j(\cdot)\right)$,

either the $\bar{a}$ constraint is binding on i *or* the $\underline{a}$ constraint is binding on j (or both). (9)

To verify (9), consider the pair of strategies (s_i, s_j) illustrated in Figure 1, which has the property that at $\theta^* = \arg\min\left(s_i(\cdot) - s_j(\cdot)\right)$, the $\bar{a}$ constraint is not binding on i and the $\underset{\sim}{a}$ constraint is not binding on j. The strategies depicted in the figure cannot form part of an MPE profile. To show this, we assume that s_j is a best response to $(s_i, \mathbf{s}_{-i,j})$, and conclude that s_i cannot be a best response to $(s_j, \mathbf{s}_{-i,j})$. Let $\Delta a = (s_i(\theta^*) - s_j(\theta^*))$ and consider player j's decision. Because t depends only on the average announcement $\mu(\mathbf{s})$, and since s_j is by assumption j's best response to $(s_i, \mathbf{s}_{-i,j})$, it follows that $s_j(\theta^*) + \Delta a = s_i(\theta^*)$ must be player-type (j, θ^*)'s best response to $(s_i - \Delta a, \mathbf{s}_{-i,j})$. But this observation implies that $s_i(\theta^*)$ cannot be (i, θ^*)'s best response to $(s_j, \mathbf{s}_{-i,j})$. To see why, note that since $k_i > k_j$, it follows from A5(ii) that against the *same* strategies, (i, θ^*)'s optimal response must strictly exceed (j, θ^*)'s: in particular, (i, θ^*)'s best response to $(s_i - \Delta a, \mathbf{s}_{-i,j})$ must strictly exceed (j, θ^*)'s, which is $s_i(\theta^*)$. Next, by definition of θ^*, $s_j(\cdot) \leq s_i(\cdot) - \Delta a$, so property (6) implies that (i, θ^*)'s best response to $(s_j, \mathbf{s}_{-i,j})$ must exceed his best response to $(s_i - \Delta a, \mathbf{s}_{-i,j})$, which, as we have shown, exceeds $s_i(\theta^*)$. Thus, s_i cannot be a best response to $(s_j, \mathbf{s}_{-i,j})$.

The first two parts of Prop. 2 follows almost immediately from (9). If either of the two constraints mentioned in (9) is satisfied, then $s_i(\theta^*) - s_j(\theta^*) \geq 0$. Since θ^* minimizes $\left(s_i(\cdot) - s_j(\cdot)\right)$, the function is nonnegative on its entire domain. Part i) of the proposition now follows immediately from the definitions in (1). Moreover, since neither player is constrained on $\left(\underset{\sim}{\theta}_j(\mathbf{s}), \tilde{\theta}_i(\mathbf{s})\right)$, property (9) implies that $\left(\underset{\sim}{\theta}_j(\mathbf{s}), \tilde{\theta}_i(\mathbf{s})\right)$ cannot be part of Θ^*, implying that on $\left(\underset{\sim}{\theta}_j(\mathbf{s}), \tilde{\theta}_i(\mathbf{s})\right)$, $s_i(\cdot) - s_j(\cdot) > s_i(\theta^*) - s_j(\theta^*) \geq 0$, establishing the strict inequality in part ii). To motivate the third part of the proposition, first note that since the domain of u is compact, all relevant derivative functions of u are uniformly continuous, and, if always non-zero, then they are bounded away from zero. Now suppose that there is a player-type (j, θ) whose first order condition, $U_j'(s_j(\theta), \theta; \mathbf{s}_{-j})$ is zero. For i with $k_i > k_j$ $U_i'(s_j(\theta), \theta; \mathbf{s}_{-i})$ exceeds $U_j'(s_j(\theta), \theta; \mathbf{s}_{-j})$ by an amount that is big oh of $1/n$.[8] Since $U_i'(\cdot, \cdot; \mathbf{s}_{-j})$ depends on i's type and announcement only through the mean type and mean announcement, the effects on $U_i'(\cdot, \cdot; \mathbf{s}_{-i})$ of i's announcement and hs type are big oh of $1/n^2$. Since A is compact, i's response is pushed to the upper edge of A as n increases without bound. The proof of the fourth part is analogous. An immediate implication of (9) is

Proposition 3 (At most one player is unconstrained): *In any MPE, at most one player's strategy is almost-never-constrained.*

[8] A function $f(x)$ is said to be big oh of $g(x)$ if there exists $M \in \mathbb{R}$ such that for all x, $|f(x)| < M|g(x)|$.

To verify Prop. 3, observe from (9) that if i is not up-constrained at $\theta^* \in \Theta^*$, then j must be down-constrained. Since by definition Θ^* is nonempty, in equilibrium it can never happen that both s_i and s_j are almost-never-constrained. That is, regardless of the width of the announcement space A, an equilibrium cannot exist unless misreporting by all but at most one player increases to the extent that with positive probability, their announcements are constrained by one of the boundaries. Thus Prop. 3 highlights the role of the announcement bounds in ensuring the existence of MPE.

The comparative statics results we present in §6 and §7 below apply only to games with relatively few players. Props. 2 and 3 suggest why: as the population expands, the tug-of-war between players with different biases becomes so intense that almost all of them are driven to the boundaries of the strategy space, resulting in increasingly degenerate outcomes. Prop. 4 below makes this idea precise. We allow n to increase without bound, and demonstrate that in the limit, the outcome of the game is independent of players' realized signals. This result contrasts sharply with the recurring theme in the information aggregation literature, i.e., when the number of participants is very large, political institutions such as elections can effectively aggregate private information.

Fix a set $K \subset \mathbb{R}$ from which players' observable characteristics are drawn and consider a sequence of finite support measures (ϕ^n) on K. For each n, let $\mathbf{k}^n$ be the support of ϕ^n and let $\mathbf{s}^n$ be an MPE of the n-player aggregation game with observable characteristic profile $\mathbf{k}^n$. Let $\tau^n : \Theta \to \mathbb{R}$ be the induced mapping from mean signals to outcomes, i.e., for $\boldsymbol{\theta} \in \boldsymbol{\Theta}$, $\tau^n(\mu(\boldsymbol{\theta})) = t(\mathbf{s}^n(\boldsymbol{\theta}), \mathbf{k}^n)$. Prop. 4 establishes that as $n \to \infty$, the outcome induced by (τ^n) converges to a constant function.

Proposition 4 (Asymptotic information transmission):[†] *Assume that the measures (ϕ^n) converge weakly to a nonatomic measure ϕ on K whose cdf is Φ. Then (τ^n) converges weakly to the constant function whose image $\{k^*\}$ is a convex combination of $\underline{a}$ and $\overline{a}$.*

Prop. 4 is a straightforward consequence of parts iii) and iv) of Prop. 2. As n increases, players must exaggerate more and more, if they are to exert the same degree of influence over the average outcome. But there are bounds on how much players can exaggerate, and once these bounds are attained, the connection between players' announcements and their signals is broken. It follows that as n increases, the fraction of players whose strategies convey any information at all about their signals shrinks to zero. Because the limit distribution over players is non-atomic, the aggregation rule assigns vanishingly small weight to the information that these few players provide.

We conclude this section with a discussion of the class of strategies on which we will focus for the remainder of the paper. Letting $\iota(\cdot)$ denote the identity map on Θ, player r's strategy is said to be

constrained unit affine (CUA) if for some $\lambda \in \mathbb{R}$, $s_r(\cdot) = \min\{\bar{a}, \max\{\underline{a}, \iota(\cdot) + \lambda\}\}$
unit affine if neither bound on the announcement space is binding, i.e., if $s_r(\cdot) = \iota(\cdot) + \lambda_r$

The defining property of a CUA strategy is that the extent of r's mis-representation of his type is independent of this type, except when r is constrained by the boundaries of A. The parameter λ_r indicates the extent of this mis-representation. A CUA strategy is unit affine iff it is also almost-never-constrained. CUA strategies are a special class of nondegenerate strategies that play an central role in our analysis. Next, note that the set of degenerate CUA strategies $\{s_r(\cdot) = \min\{\bar{a}, \max\{\underline{a}, \iota(\cdot) + \lambda\}\} : \lambda_r \leq \underline{a} - \bar{\theta}\}$ are all functionally equivalent: in each case, $s_r(\cdot) = \underline{a}$. Similarly all CUA strategies with $\lambda_r \geq \bar{a} - \underline{\theta}$ are equivalent. Hence we can impose without loss of generality (w.l.o.g.) that

$$s_r(\cdot) = \min\{\bar{a}, \max\{\underline{a}, \iota(\cdot) + \lambda\}\} \text{ is an } \textit{admissible CUA strategy} \text{ iff } \lambda_r \in \Lambda \equiv [\underline{a} - \bar{\theta}, \bar{a} - \underline{\theta}]. \quad (10)$$

Since $\bar{a} > \underline{a}$ and $\bar{\theta} > \underline{\theta}$, the set Λ is nonempty. Observe from (1a) and (1b) that if s_r is CUA, then

$$\underset{\sim}{\theta}_r(s_r) \quad = \quad \min\{\underline{\theta}, \underline{a} - \lambda_r\} \quad < \quad \max\{\bar{\theta}, \bar{a} - \lambda_r\} \quad = \quad \tilde{\theta}_r(s_r). \quad (11)$$

If $\Theta \subseteq [\underline{a}, \bar{a}]$ we say that the announcement space is *inclusive*. It follows from (11) that

$$\text{if } \Theta \text{ is inclusive then no CUA strategy is bi-constrained} \quad (12)$$

To see this, note that if Θ is inclusive and $\lambda_r \geq 0$ then $s_r(\underline{\theta}) = \underline{\theta} + \lambda_r \geq \underline{a} + \lambda_r \geq \underline{a}$; similarly, if $\lambda_r \leq 0$ then $s_r(\bar{\theta}) \leq \bar{a}$,

4. Aggregation Games with Common Preferences

Assumption A1(ii) specifies that all players have distinct observable characteristics. For this section only, we reverse this assumption, and consider games in which players' observable characteristic are identical. We also assume that the announcement space is inclusive, so that truthful type revelation is feasible. This analysis will serve as a useful benchmark when we consider games in which players' observable characteristics are heterogeneous and when the bounds on the announcement space preclude complete truthful revelation. The analysis highlights the importance of unit affine strategies: we will show that in n-player games, there are equilibria—including one characterized by truthful type revelation—in which players' strategies are unit affine and satisfy a strong efficiency criterion. Moreover, in two-player games, equilibrium strategies are *necessarily* unit affine, and *all* equilibria satisfy this criterion.

We now introduce our notion of efficiency. An action $s_r(\theta)$ is a *best conceivable response* for player-type (r,θ) to $\mathbf{s}_{-r}$ if for all $\mathbf{s}'_{-r}$ and all $a \in A$, $U_r(s_r(\theta),\theta;\mathbf{s}_{-r}) \geq U_r(a,\theta;\mathbf{s}'_{-r})$. When a player-type's action is a best conceivable response to other players' strategies, this player's expected payoff could not be higher, even if he had total control over the strategies played by all other players! An MPE is now defined to be *efficient* if every player-type's action is a best conceivable response to other players strategies. This is clearly an extremely stringent notion of efficiency.

A strategy profile will be called *zero-sum unit affine (ZSUA)* if each player's strategy is unit affine and if there is truthful revelation in aggregate. Specifically, let $\mathbf{\Lambda} = \{\boldsymbol{\lambda} \in \Lambda^n : \sum_{r=1}^n \lambda_r = 0\}$. A strategy profile is ZSUA if for some $\boldsymbol{\lambda} \in \mathbf{\Lambda}$, $s_r = \theta_r + \boldsymbol{\lambda}_r$, for each r.[9] Given a profile $\mathbf{s}$, $\mu(\mathbf{s})$ is identically equal to $\mu(\boldsymbol{\theta})$ iff $\mathbf{s}$ is ZSUA; that is, ZSUA profiles truthfully reveal types in the aggregate and vice versa. A special case is when $\boldsymbol{\lambda} = 0$, i.e., each individual agent reveals his type. The following proposition highlights the intuitive fact that in an aggregation game, incentives for strategic behavior arise only when there are *ex ante* differences between agents' characteristics, i.e., their k's.

Proposition 5 (ZSUA profiles as equilibrium strategies): *Consider an inclusive aggregation game in which $k_r = \bar{k}$ for all r. A sufficient condition for a strategy profile to be an equilibrium is that it is ZSUA. Further, a ZSUA equilibrium is efficient.*

The proof of Prop. 5 is immediate. Consider $\boldsymbol{\lambda} = (\lambda_r, \lambda_{-r}) \in \mathbf{\Lambda}$. Necessarily, $\lambda_r = -\sum_{i \neq r} \lambda_r$. In the ZSUA strategy profile corresponding to $\boldsymbol{\lambda}$, player-type (r,θ) reports $s_r(\theta) = \theta + \lambda_r$. Consequently

$$U_r(\mathbf{s}_r(\theta),\theta;\mathbf{s}_{-r}) \quad = \quad \int_{\mathbf{\Theta}} u(t(\mathbf{s}(\boldsymbol{\vartheta}),\mathbf{k}),\boldsymbol{\vartheta},\bar{k})\eta(\boldsymbol{\vartheta})d\boldsymbol{\vartheta} \quad = \quad \int_{\mathbf{\Theta}} u(t(\boldsymbol{\vartheta},\mathbf{k}),\boldsymbol{\vartheta},\bar{k})\eta(\boldsymbol{\vartheta})d\boldsymbol{\vartheta}$$

[9] Clearly, for any vector $\boldsymbol{\lambda}$ with $\lambda_r < (\underline{a} - \underline{\theta})$ (or $\lambda_r > \bar{a} - \bar{\theta}$), $s_r = \theta_r + \boldsymbol{\lambda}_r$ would not be admissible for types in some neighborhood of $\underline{\theta}$ (or $\bar{\theta}$).

Since players' observable characteristics are all identical, the social welfare function (defined in (2)) coincides with each player's utility function: $w(t, \boldsymbol{\theta}, \mathbf{k}) = u(t, \boldsymbol{\theta}, \bar{k})$. Since the outcome function is assumed to be CISE, we have $t = \text{argmax } u(\cdot, \boldsymbol{\theta}, \bar{k})$ for every $\boldsymbol{\theta} \in \boldsymbol{\Theta}$, Thus, the ZSUA profile maximizes the expected utility of every player and constitutes an MPE. Further, since each player obtains the highest possible utility, the equilibrium is also efficient.

When there are only two players with identical observable characteristics, we can go much further. In this case, the preceding and following propositions establish that a profile is an equilibrium if and only if it is ZSUA, i.e., *all* equilibria are efficient![10]

Proposition 6 (MPE are ZSUA):† *Consider a two player inclusive aggregation game with $k_i = k_j$. A necessary condition for a strategy profile to be an MPE is that it is ZSUA.*

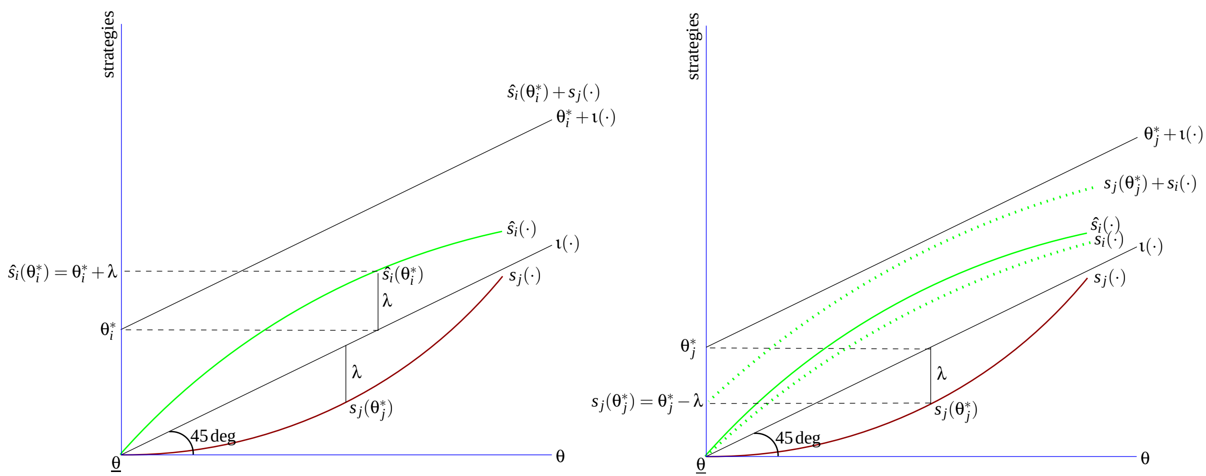

FIGURE 2. Intuition for Prop. 6

Figure 2 provides some intuition. Consider a strategy that is not unit affine, such as s_j in the left panel of the figure. Letting $\iota(\cdot)$ denote the identity map, the maximum value of $(\iota(\cdot) - s_j(\cdot))$ is λ, which is achieved uniquely at θ_j^*.[11] We first establish that a necessary condition for s_i to be a best response to s_j is that $(s_i(\cdot) - \iota(\cdot))$ is everywhere strictly less than λ. To see this, consider a strategy such as $\hat{s}_i$ satisfying, for some θ_i^*, $(\hat{s}_i(\theta_i^*) - \theta_i^*) \geq \lambda$. Given any such strategy for i, the aggregate strategy $\hat{s}_i(\theta_i^*) + s_j(\cdot)$—i.e., the highest curve in the left panel—must lie above the line $\theta_i^* + \iota(\cdot)$

[10] An immediate implication of the argument below is that when players' observable characteristics are identical and the announcement space coincides with Θ, then the *unique* equilibrium for a two-player aggregation game is that players truthfully reveal their private information with probability one.

[11] Uniqueness is not required, but it simplifies the intuitive exposition.

with probability one. That is, for player-type (i,θ_i^*), the average of players' announced types exceeds the average of their actual types with probability one. Since $t(\cdot)$ is CISE and the social welfare function $w(\cdot)$ coincides with i's and j's common utility function, the outcome generated by $(s_j,\hat{s}_i)$ must be super-optimal for (i,θ_i^*) with probability one. Conclude that $\theta_i^*+\lambda$ is not a best response for (i,θ_i^*) against $s_j(\cdot)$; more generally, for s_i to be optimal against any not unit affine s_j, it is necessary that $(s_i(\cdot)-\iota(\cdot)) < \max(\iota(\cdot)-s_j(\cdot))$. Now consider any strategy satisfying this necessary condition—e.g., the dashed curve $s_i(\cdot)$ in the right panel—and observe that the aggregate strategy $s_j(\theta_j^*)+s_i(\cdot)$ is everywhere *below* the line $\theta_j^*+\iota(\cdot)$, and hence sub-optimal for (j,θ_j^*). We have shown, then, that the action $s_j(\theta_j^*)$ cannot be a best response for (j,θ_j^*), against *any* strategy that could possibly be a best response against the arbitrarily chosen, not unit affine $s_j(\cdot)$.

5. Games with Quadratic Payoff functions

In our introductory discussion in §1, our players reported to the center, who took an action, τ, that affected all of them. For the remainder of the paper, we abstract from the issue of how the center uses the information that players provide and assume, simply, that each player incurs a loss that is quadratic in the difference between that player's observable characteristic and the gap between the means of actual and reported information. Formally, we define the utility function for a player with observable characteristic k as the biased quadratic loss function:[12]

$$u(\tau,\mu(\boldsymbol{\theta}),k) \quad = \quad -(k+\mu(\boldsymbol{\theta})-\tau)^2. \tag{13}$$

With this specification, the CISE property requires the center to average the types that players announce: $\tau = t(\mathbf{s},\mathbf{k}) = \mu(\mathbf{s})$. A game with utilities given by (13) will be called a *quadratic aggregation game*. It is straightforward to verify that given t, (13) satisfies Assumptions A4-A6. The goal of a player with observable characteristic $k>0$ is to induce the center to overestimate the value of $\mu(\boldsymbol{\theta})$ by an amount that is as close as possible to k. Specifically, the optimal expected outcome for a player with observable characteristic k_r and type parameter θ_r is $E_{\boldsymbol{\vartheta}_{-r}}t = k_r + E_{\boldsymbol{\vartheta}_{-r}}\mu(\langle\theta_r,\boldsymbol{\vartheta}_{-r}\rangle)$.

This quadratic specification is consistent with either of the two interpretations of our model proposed in §1. For the non-statistical interpretation, the relationship is self-evident: players lose utility with the square of the difference between the composite score implied by players' actual types,

[12] As noted in fn. 1, this specification is very widely used.

adjusted by the player's personal bias, and the score that the center would compute by aggregating players' announcements. Under the Bayesian interpretation, each player loses utility with the square of the difference between the posterior mean computed by the center from announcements and the one implied by actual types, again after adjusting for the player's bias. Under very general conditions, the posterior mean is an affine function of the sample mean.[13] If the posterior mean is defined as $b_0 + b_1\mu(\boldsymbol{\theta})$, the loss function implied by our Bayesian interpretation is

$$-\big(k + (b_0 + b_1\mu(\boldsymbol{\theta})) - (b_0 + b_1\mu(\mathbf{s}))\big)^2 \;=\; -\big(k + b_1(\mu(\boldsymbol{\theta}) - \mu(\mathbf{s}))\big)^2 \;=\; -\big(k + b_1(\mu(\boldsymbol{\theta}) - \tau)\big)^2.$$

By choosing appropriately the units of the vector $\mathbf{k}$, we can set $b_1 = 1$ and recover (13).

While this Bayesian interpretation is suggestive, there is a notable distinction between our quadratic loss function and the canonical Bayesian loss function. To best appreciate the difference, consider (13) for an unbiased player, i.e., set $k = 0$. Then the only source of loss is that players mis-report the signals they receive; our players are modeled as uninterested in the difference between the mean of their signals and the *true* mean of the distribution from which their signals were drawn. In the classical Bayesian problem, on the other hand, the latter difference is all that matters; the possibility of mis-reporting does not arise.

In most respects, this distinction is unimportant and our specification captures exactly what we are interested in, i.e., the information losses that arise because players are strategic and are constrained by the boundaries.[14] In one respect, however, the omitted difference is significant: in a game small enough to admit non-degenerate strategies, it does not capture the full welfare impact in a Bayesian setting of increasing n, since it ignores the welfare benefit of increasing the precision with which the aggregate signal estimates the true mean (i.e., reducing the second term in (14)). As an extreme example, when all players have the same observable characteristic as in §4, our players attain Nirvana in every game, regardless of n; had we defined players' utility as a standard Bayesian loss function, Nirvana would be approached only asymptotically.

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[13] Bernardo and Smith (2000, Proposition 5.7 (pp. 275-276)) establishes this for exponential families of distributions.

[14] For instance, if the θ_i's were independently drawn from a distribution with $E(\theta_i) = \theta^t$ and players' utility depended on the true mean θ^t rather than the average realized signal $\mu(\boldsymbol{\theta})$, the expected quadratic loss would be

$$-E(k + \theta^t - \tau)^2 \quad \equiv \quad -E_{\boldsymbol{\vartheta}}(k + \mu(\boldsymbol{\vartheta}) - \tau + \theta^t - \mu(\boldsymbol{\vartheta}))^2 \quad = \quad -E_{\boldsymbol{\vartheta}}(k + \mu(\boldsymbol{\vartheta}) - \tau)^2 - E_{\boldsymbol{\vartheta}}(\theta^t - \mu(\boldsymbol{\vartheta}))^2. \qquad (14)$$

The first part of the loss arises entirely due to misreporting and coincides with $u(\cdot)$ in (13); the second part, which is precisely the canonical Bayesian loss function, is omitted from our model.

5.1. **CUA strategies.** The quadratic specification ensures that equilibrium strategies will be CUA (see p 17). Given the utility (13) and outcome function $t(\mathbf{s},\mathbf{k}) = \mu(\mathbf{s})$, if r were not required to respect the admissibility bounds (10) on λ_r, his optimal response to $\mathbf{s}_{-r}$ would be the UA strategy $\theta_r + \lambda_r$, where

$$\lambda_r = nk_r + \sum_{i \neq r} E_{\vartheta_i}(\vartheta_i - s_i(\vartheta_i)). \tag{15}$$

In general, the UA response $\theta_r + \lambda_r$ will not belong to A for all values of θ_r, particularly if $|k_r|$ is large. Accordingly, r's *constrained* optimal response will be

$$s_r(\theta_r) = \min\{\bar{a}, \max\{\theta_r + \lambda_r, \underset{\sim}{a}\}\}. \tag{16}$$

To identify an NMPE, we need to compute the $\boldsymbol{\lambda}$ vector which solves the set of n equations in (15) subject to the constraint (16). As a first step, we let $\xi_r(\cdot)$ denote player r's *deviation from affine*, defined as the difference between the CUA strategy $s_r(\cdot)$ and the UA strategy $\iota(\cdot) + \lambda_r$. Given λ_r, let $E\xi_r$ denote r's *expected deviation from affine*:

$$E\xi_r \equiv E_{\vartheta_r}(s_r(\vartheta_r) - (\vartheta_r + \lambda_r)) = E_{\vartheta_r}\big(\min\{\bar{a}, \max\{\underset{\sim}{a}, \vartheta_r + \lambda_r\}\} - \vartheta_r\big) - \lambda_r \tag{17}$$

$$= \int_{\underline{\theta}}^{\underset{\sim}{\theta}_r} (\underset{\sim}{\theta}_r - \vartheta_r) dH(\vartheta_r) + \int_{\tilde{\theta}_r}^{\bar{\theta}} (\tilde{\theta}_r - \vartheta_r) dH(\vartheta_r), \tag{18}$$

where, from (1a) and (1b), $\underset{\sim}{\theta}_r(\lambda_r) = \underset{\sim}{a} - \lambda_r$ and $\tilde{\theta}_r(\lambda_r) = \bar{a} - \lambda_r$. Thus $E\xi_r$ is a measure of the impact of the bounds $\bar{a}$ and $\underset{\sim}{a}$ on r's expected announcement. Clearly,

$$\text{if } r \text{ is single-constrained and } E\xi_r \neq 0,\ \lambda_r E\xi_r < 0. \tag{19}$$

Since we focus exclusively on CUA strategies in the remainder of the paper, we will sometimes use the symbol λ_r as a shorthand for the uniquely defined CUA strategy with parameter λ_r.

We note in passing two implications of (17) and (18) that we will use later. First, aggregating the identity in (17) across players and rearranging, we obtain

$$E_{\boldsymbol{\vartheta}}\big(\mu(\mathbf{s}^*(\boldsymbol{\vartheta})) - \mu(\boldsymbol{\vartheta})\big) = \mu(\boldsymbol{\lambda}^*) + \mu(E\boldsymbol{\xi}). \tag{20}$$

Second, differentiating (18) w.r.t. λ_r and inferring from (11) that $H(\underset{\sim}{\theta}_r) < H(\tilde{\theta}_r)$:

$$\frac{dE\xi_r}{d\lambda_r} \quad = \quad -\left(H(\underset{\sim}{\theta}_r) + 1 - H(\tilde{\theta}_r)\right) \quad \subset \quad (-1,0] \tag{21}$$

$$\text{and} \quad \frac{dE\xi_r}{d\lambda_r} \quad = \quad 0 \qquad \text{iff } r \text{ is almost never constrained}$$

Substituting $\theta_i - s_i(\theta_i) = -(\lambda_i + \xi_i)$ into (15) and rearranging, it follows that if $\boldsymbol{\lambda}^*$ is an MPE,

$$nk_r \quad = \quad \sum_i \lambda_i^* + \sum_{i \neq r} E\xi_i(\lambda_i^*), \qquad \text{for all } r \text{ with } \lambda_r^* \in \text{int}(\Lambda). \tag{15$'$}$$

Figure 3 provides some intuition for (15′), for the simple game with two players i and j and $0 < k_i = -k_j$. The figure is a diagonal cross-section of the three-dimensional graph from $\Theta \times \Theta$ to outcomes, that is, the graph depicts the event that i and j observe the same private signals. Player i is up-constrained while player j is down-constrained. The thick kinked line represents

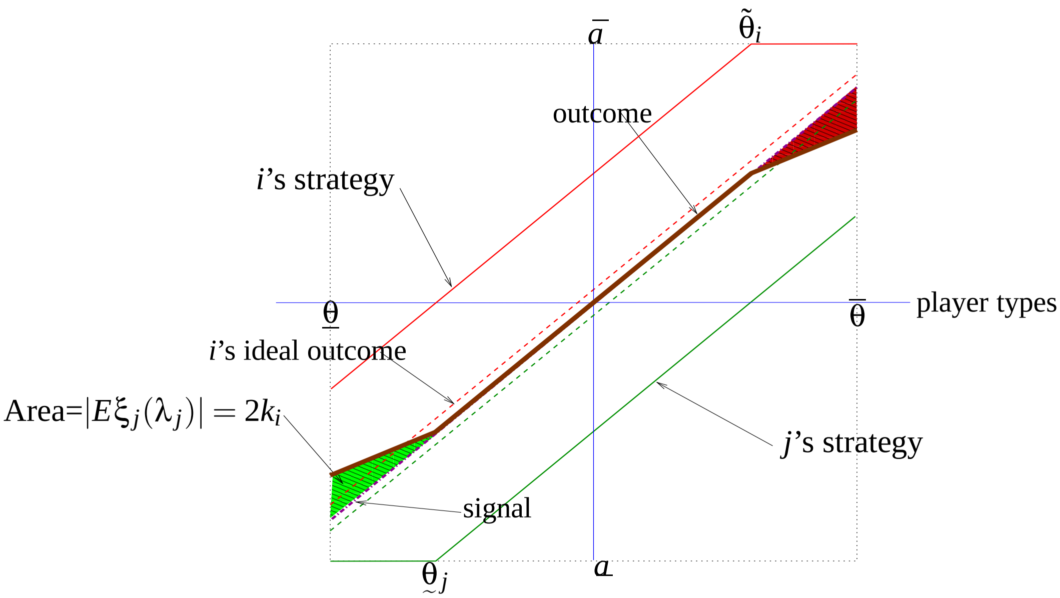

FIGURE 3. Intuition for display (15′)

the outcome as a function of type realizations, given the two players' strategies. The important property highlighted by the kinked line is that when $\theta_i > \tilde{\theta}_i$ (and $\theta_j \in [\underset{\sim}{\theta}_j, \tilde{\theta}_j]$), the realized outcome is an *under*-estimate of the realized type, while when $\theta_j < \underset{\sim}{\theta}_j$ (and $\theta_i \in [\underset{\sim}{\theta}_i, \tilde{\theta}_i]$), it is an *over*-estimate; when $\theta_r \in [\underset{\sim}{\theta}_r, \tilde{\theta}_r]$, for $r = i, j$, the outcome accurately reflects the aggregate signal. Now consider the outcome from player i's perspective and for concreteness, suppose $\theta_i = 0$ and the horizontal axis represents j's type. Player i's *ex poste* ideal outcome, as a function of j's type, is represented by the dashed line above the diagonal: for every value of j's type, i's *ex poste* ideal outcome exceeds it by k_i. When j is unconstrained, his under-report exactly counteracts i's over-report, resulting in an outcome that is suboptimal from i's perspective; however, at low values of θ_j, the constraint $\underline{a}$ binds j's under-reporting, resulting in an outcome exceeding i's ideal outcome. Equation (15′) describes how the over- and under-estimates are balanced in equilibrium: the expected over-estimate of the true average equals twice the expected under-estimate.

The following, immediate implication of (15′) will prove very useful in what follows. If $\boldsymbol{\lambda}^*$ is an MPE, then for all i, j with $\lambda_i^*, \lambda_j^* \in \text{int}(\Lambda)$,

$$n(k_i - k_j) \quad = \quad E\xi_j(\lambda_j^*) - E\xi_i(\lambda_i^*). \tag{22}$$

To motivate (22), suppose $k_i > k_j$ and both i and j are up-constrained. From part ii) of Prop. 2, $k_i > k_j$ implies $\lambda_i > \lambda_j$, so the constraint $\bar{a}$ binds more tightly on i than on j, i.e., $E\xi_i < E\xi_j$.

Proposition 7 (Uniqueness of MPE):† *Every quadratic aggregation game has a unique MPE.*

5.2. **MPE outcomes and payoffs.** The quadratic setup allows us to analyze each player's equilibrium performance: to what degree the outcome of the game matches his ideal outcome, and how his payoff depends on player characteristics. We begin by introducing a notion describing the degree to which each player "gets what he wants" in equilibrium. We define as a benchmark the *complete information personally optimal (CIPO) outcome* for player r: this outcome would maximize r's payoff if he had complete information about the average type. We denote this "ideal" outcome from r's perspective by $\hat{t}(\boldsymbol{\theta}, k_r)$. From (13), r's CIPO outcome is

$$\hat{t}(\boldsymbol{\theta}, k_r) \quad = \quad \mu(\boldsymbol{\theta}) + k_r. \tag{23}$$

If $\mu(\mathbf{s}^*)$ is the equilibrium outcome of the game. then the difference $E_{\boldsymbol{\vartheta}}\left(\mu(\mathbf{s}^*(\boldsymbol{\vartheta}))\right) - \hat{t}(\boldsymbol{\vartheta}, k_r)\big)$, which we label as r's *expected CIPO deviation*, is a measure of the degree to which the equilibrium outcome differs in expectation from player r's CIPO outcome. Prop. 8 below establishes that in an NMPE, the expected CIPO deviation is $1/n$ times the size of the player's expected deviation from affine. This result is striking because the latter depends only on r's strategic choice, while the former depends on *all* players' choices. Note also from (19) that a single-constrained player who over- (under-) reports his type can expect a sub- (super-) optimal outcome.

Proposition 8 (The expected CIPO deviation):† *If* $\mathbf{s}^* = \boldsymbol{\theta} + \boldsymbol{\lambda}^*$ *is an MPE profile of a quadratic aggregation game, and* $\lambda_r^* \in int(\Lambda)$*, then* r*'s expected CIPO deviation is* $E\xi_r(\lambda_r^*)/n$.

Since the expected deviation from affine measures how tightly the announcement bounds restrict r's action in equilibrium, Prop. 8 indicates that a player whose action is more restricted is less likely to obtain his CIPO outcome in expectation.

After r learns his type θ_r, a parallel measure of deviation from his ideal outcome is the *interim expected CIPO deviation*, defined as the difference $E_{\boldsymbol{\vartheta}_{-r}}\left(\mu(\langle s_r^*(\theta_r), \mathbf{s}_{-r}^*(\boldsymbol{\vartheta}_{-r})\rangle) - \hat{t}(\langle \theta_r, \boldsymbol{\vartheta}_{-r}\rangle, k_r)\right)$, where $E_{\boldsymbol{\vartheta}_{-r}}\hat{t}(\langle \theta_r, \boldsymbol{\vartheta}_{-r}\rangle, k_r) = E_{\boldsymbol{\vartheta}_{-r}}\mu(\langle \theta_r, \boldsymbol{\vartheta}_{-r}\rangle) + k_r$ is r's *interim expected CIPO outcome*. Similar to Prop. 8, Prop. 9 establishes that r's interim expected CIPO outcome is implemented in equilibrium if and only if his strategy is unconstrained at θ_r:

Proposition 9 (Interim Implementation):† *For a player r of type θ_r, his interim expected CIPO deviation equals zero, or his interim expected CIPO outcome is implemented in equilibrium, if and only if his strategy s_r^* is unconstrained at θ_r.*

The previous discussion indicates that player r's expected deviation from affine i.e., the expected degree to which r's strategies are restricted by the announcement bounds, is instrumental in determining whether r gets "what he wants." We next illustrate how the deviation from affine affects a player's expected equilibrium payoff. From (13), r's expected payoff from a strategy profile $\boldsymbol{\lambda}$ is $-E_{\boldsymbol{\vartheta}}\left(\mu(\boldsymbol{\vartheta}) + k_r - \mu(\mathbf{s})\right)^2$, i.e., the expectation of the squared difference between r's CIPO outcome and the realized outcome. For an arbitrary profile $\boldsymbol{\lambda}$, the expression for this expectation is exceedingly messy, reflecting the complexity of the interactions between multiple players' deviations from affine: in some regions of $\boldsymbol{\Theta}$, the distortion resulting from different players' constraints offset each other; in others they are mutually reinforcing. In equilibrium, however, *all* of these interaction terms disappear, leaving only the first and second moments of players' deviations from affine. Specifically, let $V\xi_r(\lambda_r)$ denote the (*ex ante*) variance of r's deviation from affine, i.e.,

$$V\xi_r(\lambda_r) = \mathrm{Var}_{\vartheta}\left(s_r(\vartheta_r) - (\vartheta_r + \lambda_r)\right) \tag{24}$$

Note that $V\xi_r(\lambda_r)$ depends only on r's *own* type realization. We now have:

Proposition 10 (Equilibrium Payoffs):† *Let $\mathbf{s}^* = \boldsymbol{\theta} + \boldsymbol{\lambda}^*$ be an MPE profile of a quadratic aggregation game. For each player r with $\lambda_r^* \in int(\Lambda)$, r's expected equilibrium payoff is*

$$E_{\boldsymbol{\vartheta}} u(\mu(\mathbf{s}^*), \mu(\boldsymbol{\vartheta}), k_r) \;=\; -E_{\boldsymbol{\vartheta}}\left(\mu(\boldsymbol{\vartheta}) + k_r - \mu(\mathbf{s}^*)\right)^2 \;=\; -\left(\mu(\mathbf{V}\boldsymbol{\xi}(\boldsymbol{\lambda}^*))/n \;+\; (E\xi_r(\lambda_r^*)/n)^2\right). \tag{25}$$

Prop. 8 and Prop. 10 are complementary. Prop. 8 established that player r's expected CIPO deviation coincides with his expected deviation from affine, deflated by n. But equilibrium expected payoffs depend on *squared* deviations from affine. Prop. 10 shows that players' expected payoffs are equally negatively impacted by the variances of each others' deviation from affine; the sole factor distinguishing two players' expected payoffs is the difference between their squared expected CIPO deviations.

We next study the aggregate equilibrium payoff of the players. From a normative perspective, there are two benchmark measures of welfare that we might consider. The more obvious is the average of players' equilibrium expected payoffs. We refer to this as *average private welfare*, defined as

$$\text{APW} \quad = \quad \frac{1}{n}E_{\boldsymbol{\vartheta}}\left(\sum_{i=1}^{n} u(\mu(\mathbf{s}), \mu(\boldsymbol{\vartheta}), k_i)\right). \tag{26}$$

Alternatively, one could take the view that *social* welfare should be evaluated from an *unbiased* perspective, i.e., from the perspective of a player whose observable characteristic is zero, reflecting a preference for truthful revelation. Accordingly we define *unbiased social welfare* as

$$\text{USW} \quad = \quad E_{\boldsymbol{\vartheta}}u(\mu(\mathbf{s}), \mu(\boldsymbol{\vartheta}), 0) \quad = \quad E_{\boldsymbol{\vartheta}}\left(\mu(\boldsymbol{\vartheta}) - \mu(\mathbf{s})\right)^2. \tag{27}$$

Our assumption that $\sum_i k_i = 0$ implies that APW and USW differ only by a constant. Specifically:

$$\begin{aligned} \text{APW} \quad &= \quad -\frac{1}{n}E_{\boldsymbol{\vartheta}}\sum_{i\in I}\left(\mu(\boldsymbol{\vartheta}) + k_i - \mu(\mathbf{s})\right)^2 \\ &= \quad -\frac{1}{n}\left\{\sum_i k_i^2 \quad + \quad 2\sum_i k_i E_{\boldsymbol{\vartheta}}\left(\mu(\boldsymbol{\vartheta}) - \mu(\mathbf{s})\right) \quad + \quad nE_{\boldsymbol{\vartheta}}\left(\mu(\boldsymbol{\vartheta}) - \mu(\mathbf{s})\right)^2\right\} \\ &= \quad \text{USW} \quad + \quad \sum_i k_i^2/n \end{aligned}$$

From (47) the following result is immediate.

Proposition 11 (Unbiased Social Welfare): *If $\boldsymbol{\lambda}^*$ is an MPE profile of a quadratic aggregation game, then unbiased social welfare is given by*

$$USW \quad = \quad -\left\{\mu(V\boldsymbol{\xi}(\boldsymbol{\lambda}^*))/n + \left(\mu(E\boldsymbol{\xi}(\boldsymbol{\lambda}^*)) + \mu(\boldsymbol{\lambda}^*)\right)^2\right\} \tag{28}$$

5.3. **Anchored Games.** The discussion so far illustrates the central role the expected deviation from affine plays in affecting equilibrium payoffs. There is a class of games in which some player j's expected deviation from affine is zero. This property holds if either j's strategy is never constrained or if the constraints on j associated with the two announcement bounds cancel each other out in expectation. We later study games in which such a j always exists: in §6, j is the "middle" player in a symmetric game; in §7, the "largest" player in a game in which $\bar{a}$ never binds. We refer to such a game as an *anchored game* and to player j as *the anchor*. Anchored games are particularly easy to solve and exhibit strong properties.

Proposition 12 (Properties of anchored games): *Let $\boldsymbol{\lambda}^*$ be an MPE profile of an anchored quadratic aggregation game and let j be the anchor. For each player r with $\lambda_r^* \in int(\Lambda)$,*

i) r's expected deviation from affine is $n(k_j - k_r)$,

ii) r's expected CIPO deviation is $(k_j - k_r)$,

Part i) is obtained by combining (22) with the defining property of an anchored game, i.e., $E\xi_j(\lambda_j^*) = 0$. Part ii) then follows from Prop. 8. Strikingly, r's expected CIPO deviation depends exclusively on the gap between j's observable characteristic and r's, while r's expected deviation from affine depends both on this gap and n. To see why the latter is proportional to n, recall that r's objective is to shift the mean announcement by a magnitude k_r that is independent of n; the greater is n, the smaller is r's contribution to the mean, and hence the more must r mis-report. Note that the more r mis-reports, the more likely it is that he will be constrained by the announcement bounds. To study anchored games, we add assumption A7 to A1-A6. Parts (i) and (ii) simplify our anlysis. Part (iii) ensures that every anchored game has an NMPE.

Assumption A7: (i) The announcement space is inclusive (cf. p. 17); (ii) the type distribution is uniform with density parameter $\eta = 1/(\overline{\theta} - \underline{\theta})$; (iii) $||\mathbf{k}||_\infty < (\overline{\theta} - \underline{\theta})/4n$.

A7(ii), combined with (13), yields the widely used "uniform quadratic" specification.[15] The benefit of the uniformity assumption is its tractability; the cost is that it is inconsistent with the Bayesian interpretation of our model[16]. Our alternative, non-statistical interpretation does, however, remain valid. A7(iii) guarantees that our MPE is non-degenerate: if there are a large number of players and the k's are far apart, extreme players, in trying to steer the average announcement in his favor, might choose such extreme strategies that are always constrained by one of the announcement bounds, i.e., strategies that are degenerate. To verify non-degeneracy, it suffices to check that $E\xi_r(\lambda_r^*) = n(k_j - k_r)$ is consistent with $\lambda_r^* \in \text{int}(\Lambda)$. Assuming w.l.o.g. that $\lambda_r^* > 0$, (18) implies:

$$
\begin{aligned}
E\xi_r(\lambda_r^*) &= \int_{\bar{a}-\lambda_r^*}^{\overline{\theta}} (\vartheta_r + \lambda_r^* - \bar{a})\, d\eta(\vartheta_r) = 0.5\eta\left(\lambda_r^* + \overline{\theta} - \bar{a}\right)^2 \\
\text{so that} \quad \lambda_r^* + \overline{\theta} - \bar{a} &= \sqrt{\frac{2}{\eta} E\xi_r} = \sqrt{\frac{2}{\eta} n(k_j - k_r)} \quad \text{if } \lambda_r^* \in \text{int}(\Lambda). \qquad (29)
\end{aligned}
$$

[15]See Gilligan and Krehbiel (1989), Krishna and Morgan (2001), Morgan and Stocken (2008), and many others.

[16]See the discussions on pp. 2-3 and p. 21

The last equality follows from Prop. 12. Also, from A7(iii),

$$2n(k_j - k_r)/\eta \quad \leq \quad \frac{4n}{\eta}||\mathbf{k}||_\infty \quad < \quad \frac{4n}{\eta}(\overline{\theta} - \underline{\theta})/4n \quad = \quad (\overline{\theta} - \underline{\theta})^2$$

so that $\lambda_r = \sqrt{\frac{2}{\eta}n(k_j - k_r)} - (\overline{\theta} - \bar{a}) \; < \; \left((\overline{\theta} - \underline{\theta}) - (\overline{\theta} - \bar{a})\right) = \bar{a} - \underline{\theta}$, verifying that $\lambda \in \mathrm{int}(\Lambda)$. For anchored games satisfying A7, we obtain a closed-form expression for equilibrium payoffs.

Proposition 13 (Equilibrium Payoffs in Anchored Games):† *Let j be the anchor in an anchored quadratic game satisfying A7. Then player r's equilibrium expected payoff is*

$$E_{\boldsymbol{\vartheta}} u(\mu(\mathbf{s}^*), \mu(\boldsymbol{\vartheta}), k_r) \quad = \quad -\left\{ \sum_{i=1}^{n} (k_j - k_i)^2 \left(\sqrt{\frac{8}{9n\eta|k_j - k_i|}} - 1 \right) + (k_r - k_j)^2 \right\} \tag{30}$$

$$\leq \quad -\left\{ \sum_{i=1}^{n} (k_j - k_i)^2/3 + (k_r - k_j)^2 \right\}.$$

Expr. (30) thus establishes an upper bound on expected payoffs that declines with n. As shall see below, however, this does *not* imply that expected payoffs themselves decline monotonically. In the following sections, we study how the equilibrium outcome and aggregate welfare are related to primitives of the game such as the vector $\mathbf{k}$ and the bounds $\bar{a}$ and $\underline{a}$. For an arbitrary quadratic game, it is impossible to obtain closed-form expressions for these effects. Accordingly, we will focus on two special classes of anchored games for which closed-form results can be obtained.

6. Symmetric games

In this section we study games which are symmetric in a strong sense. We say that the observable characteristic vector is symmetric if for every player $\bar{r}$ with $k_{\bar{r}} > 0$, there exists a *matched player* $\underline{r}$ with $k_{\underline{r}} = -k_{\bar{r}}$. There may in addition be one more, *middle* player m with $k_m = 0$. In §6.4 below, we will refer to players whose observable characteristics are positive (resp. negative) as the *right-wing (resp. left-wing) faction*. We say that the announcement space is symmetric if the announcement bounds $\underline{a}$ and $\bar{a}$ are symmetric about zero, i.e., if $\underline{a} = -\bar{a}$; finally, we say that the type distribution is symmetric if $\underline{\theta} = -\overline{\theta}$ and if θ is symmetrically distributed around its mean zero. We now say that a game is *symmetric* if all these conditions are satisfied. A1-A7 are satisfied throughout the section, unless an exception is explicitly indicated.

Proposition 14 (MPE of Symmetric Games):† *Every symmetric quadratic aggregation game has a unique MPE satisfying:* $E\xi_r(\lambda_r^*) = -nk_r$, *for all r with* $\lambda_r \in int(\Lambda)$. *Moreover,*

i) *for each player $\bar{r}$ and matched player $\underline{r}$, $\lambda^*_{\underline{r}} = -\lambda^*_{\bar{r}}$;*
ii) *if there is a middle player m, then $\lambda^*_m = 0$.*

The middle player, if there is one, is the only player who announces truthfully in equilibrium. Any other player always mis-announces and his expected deviation from affine is determined entirely by his observable characteristic and n. Symmetric games with a middle player are also anchored games (see §5.3). It is clear from Props. 14 and 8, however, that symmetric games without a middle player exhibit the same properties as those that have one. To streamline the exposition, we shall in the remainder of the section treat *all* symmetric games as if they were anchored.

It is immediate from Props. 10 and 14 that r's equilibrium expected payoff is entirely determined by k_r and the average of the second moments of all players' deviations from affine.

$$E_{\boldsymbol{\vartheta}} u(\mu(\mathbf{s}^*), \mu(\boldsymbol{\vartheta}), k_r) \;=\; -\left(\mu(V\boldsymbol{\xi})/n \,+\, k_r^2\right) \;=\; -\left\{\sum_i k_i^2 \left(\sqrt{\frac{8}{9n\eta|k_i|}} \,-\, 1\right) + k_r^2\right\}. \qquad (25')$$

The second equality is obtained by substituting zero for k_j in (30). (27) and (25′) now yield an expression for unbiased social welfare:

$$\text{USW} \quad = \quad -\sum_i k_i^2 \left(\sqrt{\frac{8}{9n\eta|k_i|}} \,-\, 1\right) \qquad (31)$$

Prop. 14 provides us with a powerful tool for analyzing and comparing the welfare properties of aggregation games with different parameters. The three parameters we study in the remainder of this section are: the number of players (§6.1); the magnitude of the bound on the announcement space (§6.2); and the heterogeneity of players' observable characteristics (§6.3). Throughout this section, whenever we make a statement relating to either $\bar{\theta}$, $\bar{a}$, or $k_{\bar{r}}$, we will be implicitly making as well the matching statement about $\underline{\theta}$, $\underline{a}$, or $k_{\underline{r}}$. In particular, when we study the effect of increasing $\bar{a}$, we will be simultaneously, but implicitly, reducing $\underline{a}$ to preserve symmetry.

6.1. **Effects of changing the number of players.** Since symmetric games are anchored, at least some of the impacts of changing n are straightforward: a player's strategy (although not his payoff) depends only on n and his own observable characteristic. From Prop. 12, a player's expected deviation from affine is proportional to n, while his expected CIPO deviation is independent of n: as n increases, each player except the middle one mis-reports to an increasing extent, while in equilibrium the net expected effect of players' distortions on the center's decision is unchanged. The effects of n on expected payoffs and welfare are more complex. While in general there is no closed-form expression for $V\xi_r$, A7 allows us to obtain determinate results. We will compare expected payoffs and welfare for a finite sequence of "comparable" games with more and more players. To make the games comparable, we relax assumption A1(ii) for the remainder of §6.1 and construct our sequence by cloning m times a base game with q players and observable characteristic vector $\boldsymbol{\kappa}$.[17] To ensure that A7(iii) is satisfied, we require that $m \leq M = \lfloor 1/(4q\eta||\boldsymbol{\kappa}||_\infty) \rfloor$.[18] Now consider the aggregate welfare $\mathrm{USW}(m)$ in the m'th game. Since from (31) and (25′), the difference between $\mathrm{USW}(m)$ and player r's expected payoff is independent of m, the comparative statics results we obtain for welfare apply also to payoffs. Rewriting (31):

$$\mathrm{USW}(m) \quad = \quad -m\sum_{i=1}^{q}\kappa_i^2\left(\sqrt{\frac{8}{9mq\eta|\kappa_i|}}-1\right) \quad = \quad \sum_{i=1}^{q}\left(m\kappa_i^2-\sqrt{\frac{8m|\kappa_i|^3}{9q\eta}}\right) \qquad (31')$$

If m were a real number rather than an integer, USW would be convex in m, with

$$\frac{d\mathrm{USW}}{dm} \quad = \quad \sum_{i=1}^{q}\left(\kappa_i^2-\sqrt{2|\kappa_i|^3/(9mq\eta)}\right) \qquad (32)$$

The i'th element of the summation is $\gtreqless 0$ as $|\kappa_i| \gtreqless 2/(9mq\eta)$. Let $M' = \max\{m \leq M : ||\boldsymbol{\kappa}||_\infty < 2/(9mq\eta)\}$ and $M'' = \max\{m \in \mathbb{N} : |\kappa_i| < 2/(9mq\eta), \forall i\}$; If ηM is sufficiently small, $M' < M$ (since $2/9 < 1/4$) while if, in addition, $\max_i|\kappa_i| - \min_i|\kappa_i|$ is sufficiently small, $(M'', M]$ will be non-empty. Clearly, $\mathrm{USW}(\cdot)$ is strictly decreasing on $[1, M')$ and strictly increasing on $(M'', M]$.

These results reflect the tension between two effects as m increases. The first is that players need to mis-report more to accomplish the same expected CIPO deviation; this lowers welfare. The second effect reflects the law of large numbers: as m increases, it becomes increasingly likely that players' deviations from the mean of the type distribution will offset each other, and hence their individual deviations from affine will be mutually offsetting also. Prop. 15 summarizes:

Proposition 15 (Comparative statics w.r.t. n): *In a symmetric quadratic aggregation game.*

[17] The argument below could be made rigorous without violating assumption A1(ii): simply clone as we propose, and then perturb the cloned vector slightly to ensure uniqueness while preserving symmetry. In our view, the loss of rigor involved in our approach is justified by the gain in parsimony.

[18] For $x \in \mathbb{R}$, $\lfloor x \rfloor$ denotes the greatest integer not exceeding x. For $m \leq M$, the game with m clones of $\boldsymbol{\kappa}$ has $n = mq$ players. so that $||\boldsymbol{\kappa}||_\infty \leq 1/(4mq\eta) = (\overline{\theta} - \underline{\theta})/4n$, verifying that A7(iii) is satisfied.

i) *each original player's expected deviation from affine is proportional to n.*
ii) *each original player's expected CIPO deviation is independent of n*

For a finite sequence of games obtained by cloning m times a vector $\boldsymbol{\kappa} \in K^q$*;*

i) *USW and expected payoffs are convex with respect to the number of clones*
ii) *Suppose* $||\boldsymbol{\kappa}||_\infty < (\bar{\theta} - \underline{\theta})/4n$*, i.e., the players are relatively homogenous in their observable characteristics. Then USW and player expected payoffs initially decrease, and then may increase, with the number of clones.*

To reiterate, these results should be evaluated in the context of the non-statistical interpretation of our model, rather than the Bayesian one (see pp. 2-3 and p. 21).

6.2. **Effects of changing the announcement bounds.** From Prop. 14, player r's expected deviation from affine, $E\xi_r(\cdot)$, is independent of the announcement bound $\bar{a}$. If $k_r \neq 0$, expression (18) then implies that as $\bar{a}$ changes, λ_r must adjust so that $E\xi_r(\cdot)$ remains equal to nk_r. Specifically:

Proposition 16 (Effects of changing $\bar{a}$**):**† *In a symmetric quadratic aggregation game,*

$$\frac{d\lambda_r}{d\bar{a}} = \begin{cases} 0 & \text{if } r \text{ is the middle player} \\ 1 & \text{if } r \text{ is up-constrained} \\ -1 & \text{if } r \text{ is down-constrained} \\ \frac{(1-H(\tilde{\theta}_r))-H(\underset{\sim}{\theta}_r)}{H(\underset{\sim}{\theta}_r)+(1-H(\tilde{\theta}_r))} & \text{if } r \text{ is bi-constrained} \end{cases} \tag{33}$$

When r is bi-constrained, the denominator of $\frac{d\lambda_r}{da}$ is the probability that r is constrained by at least one of the announcement bounds. The numerator is the difference between the probabilities that r is up- and down-constrained. If r is single-constrained, he increases the degree of his misreporting at exactly the rate that the bounds are relaxed; he responds more slowly if he is bi-constrained.

We now consider the welfare effect of a marginal change in the announcement bound. First note that if the announcement space is inclusive, no player will be bi-constrained in equilibrium. Then players with $k \neq 0$ will adjust their announcements to fully compensate for any change in the announcement bounds. Hence, players' utilities, as well as aggregate welfare, will be unaffected by any change in the bounds. Specifically, recall from Prop. 10 that r's expected payoff depends on the first moment of r's own deviation from affine, as well as the second moments of all players' deviations. If there is a middle player j, $\xi_j = 0$ always and thus $E\xi_j$ and $V\xi_j$ are unaffected by changes in $\bar{a}$. For any other player r, since the change in λ_r fully compensates the change in $\bar{a}$, the deviation from affine ξ_i (or its distribution) remains unchanged, so do its first and second moments.

This independence property no longer holds when at least one player's equilibrium strategy is bi-constrained. For some intuition for this difference, Figure 4 considers the impact of relaxing the announcement bounds, when the only bi-constrained player is the middle player, m. Whenever m's type lies outside the interval $[\underline{a}, \bar{a}]$, obliging him to mis-report his type, all players are negatively impacted. The areas of the large triangles at either end of the type spectrum indicate the magnitude of the distortion. When the bounds are relaxed to $[\underline{a}', \bar{a}']$, the sizes of these triangles shrink, reflecting a decline in the variance of m's deviation from affine. Ex ante, this change benefits all players equally, since, from Prop. 10, each player's payoff is decreasing in the *total* variances of all players. Prop. 17 provides an expression for the rate at which a bi-constrained player's variance declines with a relaxation of the bounds. The more players are initially bi-constrained, the greater is the collective benefit of a relaxation.

Proposition 17 (Effects of increasing the announcement bound $\bar{a}$):† *In a symmetric quadratic aggregation game, as the announcement space expands:*

i) *if initially the announcement space is inclusive, the equilibrium expected payoff of every player remains constant;*

ii) *if initially some player is bi-constrained, then each player's equilibrium expected payoff is equally positively affected, as is unbiased social welfare. Specifically, letting I^* denote the set of players who are bi-constrained in equilibrium, player r's expected payoff increases by $-\frac{1}{n^2}\sum_{i\in I^*}\frac{dV\xi_i}{d\bar{a}}$, where*

$$\frac{dV\xi_i}{d\bar{a}} = \frac{4}{H(\underset{\sim}{\theta}_i)+(1-H(\tilde{\theta}_i))}\times \left\{(1-H(\tilde{\theta}_i))\int_{\underline{\theta}}^{\underset{\sim}{\theta}_i}(\vartheta_i-\underset{\sim}{\theta}_i)dH(\vartheta_i) \;-\; H(\underset{\sim}{\theta}_i)\int_{\tilde{\theta}_i}^{\bar{\theta}}(\vartheta_i-\tilde{\theta}_i)dH(\vartheta_i)\right\} < 0 \tag{34}$$

Prop. 17 delivers a clear policy message, at least in the context of symmetric games. Recall from (12) that a necessary condition for a player to be bi-constrained is that the type space is not a subset of the announcement space. When, as in the present paper, the type space is known by the policy-maker who sets the announcement bounds, it is Pareto optimal to select an announcement space large enough to contain the type space. More generally, of course, the bounds on the type space will not be known with certainty. In this case, since it is costless to expand the announcement space, and possibly costly to contract it, the announcement space should be as large as possible.

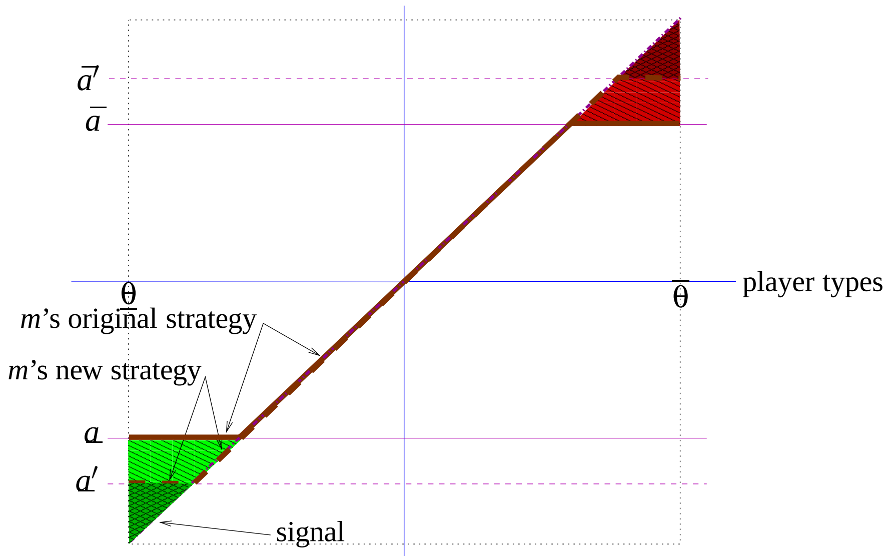

FIGURE 4. Intuition for Prop. 17

6.3. **Effects of increasing player heterogeneity.** In this subsection we study the impacts on the equilibrium outcome and on welfare of changes in the vector $\mathbf{k}$ of observable characteristics. Totally differentiating the identity $E\xi_r = -nk_r$ in (50) w.r.t. k_r and λ_r, we obtain

$$\frac{d\lambda_r}{dk_r} = \frac{n}{H(\underset{\sim}{\theta}_r) + (1 - H(\tilde{\theta}_r))} > n \tag{35}$$

where the denominator equals the probability with which player r is constrained by the announcement bounds. Thus, as k_r increases, λ_r also increases, and at a faster rate, to maintain the equilibrium property that $E\xi_r = -nk_r$. From Prop. 8 we know that as k_r increases and thus $|E\xi_r|$ increases, the difference between the expected equilibrium outcome and r's expected CIPO outcome also increases. Consequently r's expected payoff decreases. Prop. 18 quantifies this reduction:

Proposition 18 (Effects of dispersing players' observable characteristics):† *In a symmetric quadratic aggregation game, if $k_r \neq 0$, then*

$$\frac{dV\xi_r}{d|k_r|} = 2n^2|k_r| \left(\frac{1}{H(\underset{\sim}{\theta}_r) + (1 - H(\tilde{\theta}_r))} - 1 \right) > 0 \tag{36}$$

To see the effect of increasing $k_{\bar{r}}$ on players' expected payoffs, we totally derive the right hand side of (25) w.r.t. $k_{\bar{r}}$, noting that to preserve symmetry, $\frac{dk_{\underline{r}}}{dk_{\bar{r}}} = -1$, where $\underline{r}$ is $\bar{r}$'s matched player. As $k_{\bar{r}}$ increases, $\bar{r}$'s and $\underline{r}$'s welfare decline by $\left(\frac{2}{n^2}\frac{dV\xi_{\bar{r}}}{dk_{\bar{r}}} + 2k_{\bar{r}}\right)$; for other players, the decline is $\frac{2}{n^2}\frac{dV\xi_{\bar{r}}}{dk_{\bar{r}}}$.

6.4. **Effects of increasing inter-faction player heterogeneity.** The results in §6.3 are hardly surprising: as players become more heterogeneous, the extent of their mis-reporting increases and this reduces welfare. The impact of an increase in *inter-faction* heterogeneity is less obvious. To explore this issue, we will reduce notation by assuming, in this subsection only:

Assumption A8: (i) $[\underline{\theta}, \bar{\theta}] = [-1, 1]$, so that $\eta(\cdot) = 1/2$; (ii) there is no middle player, so that each faction has $n/2$ players; (iii) n is divisible by 4.

Let $\bar{\mathbf{k}}^{+} \in (0,1)^{n/2}$ be a strictly increasing vector, denoting the observable characteristics of the right-wing faction.[19]. Pick a vector $\boldsymbol{\alpha} \in \mathbb{R}^{n/4}_{++}$ and let $\boldsymbol{dk} = (-\boldsymbol{\alpha}, \boldsymbol{\alpha}) \in \mathbb{R}^{n/2}$. We will consider a family of right-wing profiles of the form $\{\bar{\mathbf{k}}^{+} + \gamma \boldsymbol{dk} : \gamma \approx 0\}$. The observable characteristics of the left-wing faction are implied by symmetry. An increase in the nonnegative scalar γ represents a faction-mean-preserving spread of each faction's profile of observable characteristics. As γ increases in a neighborhood of zero,[20] the moderate members of the faction become more moderate—the dk's are negative for the first $n/4$ faction members, all of whom have k's below the faction's median—while the extreme members become more extreme. Prop. 19 below establishes the following impacts of such a spread: if players' characteristics are initially quite homogeneous—specifically, contained in the interval $(-1/4n, 1/4n)$—the spread will reduce both USW and APW. If the factions are initially quite polarized—specifically, no player's characteristic belongs to $[-1/4n, 1/4n]$—the spread will increase USW (though not necessarily APW).

Proposition 19 (Effect of a faction-mean-preserving spread of observable characteristics):† *Let $USW(\gamma)$ and $APW(\gamma)$ denote, respectively, equilibrium unbiased social and aggregate private welfare for the n player symmetric aggregation game whose right-wing faction has the profile of observable characteristics $\bar{\mathbf{k}}^{+} + \gamma \boldsymbol{dk}$.*

i) *if* $\max(\bar{\mathbf{k}}^{+}) < 1/4n$, *then* $\left.\frac{dUSW(\gamma)}{d\gamma}\right|_{\gamma=0} < 0$ *and* $\left.\frac{dAPW(\gamma)}{d\gamma}\right|_{\gamma=0} < 0$

ii) *if* $\min(\bar{\mathbf{k}}^{+}) > 1/4n$, *then* $\left.\frac{dUSW(\gamma)}{d\gamma}\right|_{\gamma=0} > 0$

---

[19]Recall from p. 28 that player r belongs to the right-wing (resp. left-wing) faction if $k_r > 0$ (resp. $k_r < 0$)
[20]We need to keep γ close to zero to ensure that the perturbed vector $\bar{\mathbf{k}}^{+} + \gamma \boldsymbol{dk}$ has the same properties as $\bar{\mathbf{k}}^{+}$.

To obtain intuition for this surprising result, we return to Figure 3. Consider r with $k_r < 0$. Intuitively, the magnitude of $V\xi_r$ increases with the magnitude of r's involuntary distortion triangle. This triangle increases with the square of r's low threshhold type, $\underset{\sim}{\theta}_r$. Hence $V\xi_r$ is convex in r's threshhold type. On the other hand, in a symmetric game with a uniform distribution over types, r's threshhold type is a concave function of r's expected deviation from affine. The curvature of the convolution relating $V\xi_r$ to k_r depends on the balance between these two effects.

7. Single bounded games

In many applications, it is appropriate to assume that the announcement space is bounded at one end but not the other. The most obvious example is when announcements are restricted to be non-negative but there is no natural upper bound. (For example, agents might be reporting the variances of some privately observed statistic.) We refer to games satisfying this condition as *single-bounded aggregation games*. Intuitively, the upper bound on actions in a single-bounded game is infinite, but to ensure existence we need compactness, and hence assume a finite upper bound. From (15), no player's equilibrium announcement will exceed $n\left(\max(\mathbf{k}) + \overline{\theta} - \underline{a}\right) + \underline{a}$. Hence, to ensure that $\bar{a}$ never binds, we impose in this section only

Assumption A9: $\underline{a} = \underline{\theta} = 0$, and $\bar{a} = n\left(\max(\mathbf{k}) + \overline{\theta}\right)$.

A9 implies that the announcement space of a single-bounded game is inclusive, as well as:

$$\lambda_r \geq 0 \quad \Longrightarrow \quad E\xi_r(\lambda_r) = 0 \tag{37}$$

Aggregation games satisfying assumption A9 look and feel quite different from the symmetric games studied in §6. In spite of this, the comparative statics results we obtain in this and the preceding section are remarkably similar, at least for games with few enough players that NMPE exists. The connection between the two classes of games is that both are anchored. The similarity of the properties they exhibit is an indicator of the extent to which these properties are driven by the observable characteristic of the anchor. The anchor in a single-bounded game is the player h whose observable characteristic exceeds that of any other player. Note that since $\sum_i k_i = 0$, k_h is necessarily positive. We begin by characterizing the equilibrium of an arbitrary single-bounded game, then consider asymptotics and end with a discussion of comparative statics.

Proposition 20 (Single Bounded Games):† *Every single-bounded quadratic aggregation game satisfying A1-A6,A9 has a unique MPE* $\boldsymbol{\lambda}^*$ *in which* $\lambda_h^* \geq 0$ *and* $E\xi_h(\lambda_h^*) = 0$*. Moreover, for all* $r \neq h$*,* $\lambda_r^* \in int(\Lambda)$ *implies* $E\xi_r(\lambda_r^*) = n(k_h - k_r) > 0$*.*

Since $E\xi_h = 0$, Prop. 8 implies that the equilibrium outcome implements h's CIPO outcome in expectation. Since $\underline{a} = \underline{\theta}$, $E\xi_r > 0$ for $r \neq h$ implies $\lambda_r < \underline{a} - \underline{\theta} = 0$. That is, every other player, even including one whose observable characteristics is very close to h's, will under-report to counteract h's extreme over-reporting. Indeed, from (15′) and Prop. 12,[21] $\sum_i \lambda_i = n(1-n)k_h < 0$; i.e., when $n > 2$, h's over-reporting is more than compensated by the sum of all other players' (unconstrained) under-reporting. Since player $r \neq h$ is constrained by the lower bound $\underline{a}$, his expected CIPO outcome differs from the expected equilibrium outcome. From Prop. 20, r's expected deviation from affine$E\xi_r = n(k_h - k_r)$, is greater the more different is r's characteristic from h's.

To study the asymptotic properties of single-bounded games, we consider a sequence defined by finite support measures on K, exactly as we did for Prop. 4. That result was driven by the restriction that announcements were contained in a compact interval, fixed independently of n. Surprisingly, Prop. 21 delivers a similar result without uniform compactness: we now raise the upper bound on announcements as n increases (cf. A9), to ensure that this constraint never binds.

Proposition 21 (Limit of equilibria in single-bounded games):† *Assume that* (ϕ^n) *converges weakly to a nonatomic measure* ϕ *on K whose cdf is* Φ*, and that A1-A6,A9 holds for each n. The outcomes* (τ^n) *converge to the constant function whose image* $\{k^*\} = \lim_n k_h^n + E_\vartheta \vartheta$*.*

We conclude this section with a discussion of the comparative statics properties of "small" single-bounded games. To avoid repetition, no formal results will be presented; we merely discuss similarities and differences between the corresponding results in §6 and §7.

7.1. **Effects of changing the number of players.** The effects of increasing n in a single-bounded game are similar in most respects to the effects analyzed in §6.1. As in a symmetric game, r's expected deviation from affine is proportional to n—in this case, if $\boldsymbol{\lambda}^*$ is an equilibrium profile then $E\xi_r(\lambda_r^*) = n(k_h - k_r) > 0$—while r's expected CIPO deviation, $(k_h - k_r) > 0$, is independent

[21] Using (15′) then Prop. 12, and then assumption A1(i), we obtain:

$$nk_h \quad = \quad \sum_i \lambda_i + \sum_{i \neq h} E\xi_i(\lambda_i) \quad = \quad \sum_i \lambda_i + n\sum_{i \neq h}(k_h - k_i) \quad = \quad \sum_i \lambda_i + n^2 k_h.$$

of n. The expression for r's expected payoff is identical to the expression between the equality signs in (25′), except that the k_i's are replaced by $(k_h - k_i)$'s. The comparative statics of USW and expected payoffs w.r.t. n are comparable to those summarized in Prop. 15. The one striking difference between symmetric and single-bounded games concerns the strategic role played by the anchor player. A symmetric game is anchored by the middle player m, whose role is entirely passive: regardless of who else is playing the game, $\lambda_m^* = 0$. A single-bounded game is anchored by player h, whose strategy λ_h^* plays a pivotal equilibrating role. For $r \neq h$, r's expected CIPO deviation is positive and independent of n, in spite of the fact that as n increases, each new player contributes an additional downward bias to the mean report (i.e., $r \neq h \implies \lambda_r^* < 0$)! This balancing act is accomplished single-handedly by h, whose positive bias offsets the sum of all other players' negative biases. More precisely, from (15′), $\lambda_h = nk_h - \sum_{i \neq h}(E\xi_i(\lambda_i) + \lambda_i)$; since each term in the summation is negative, λ_h increases super-proportionally as n increases.

7.2. **Effects of changing the announcement bound.** Suppose the lower announcement bound, $\underline{a}$, decreases, holding $\underline{\theta}$ constant at zero, ensuring that the announcement space remains inclusive. The effects of this change are identical to those discussed in §6.2: each player's strategy adjusts to hold constant the first and second moments of his deviation from affine; the equilibrium outcome remains unchanged, as do all players' expected payoffs.

7.3. **Effects of increasing player heterogeneity.** Once again, the effects here are qualitatively similar to the effects described in §6.3-6.4. In the present context, we interpret an increase in heterogeneity as an increase in all components of the gap vector $\boldsymbol{\Delta k} = (k_h - k_i)_{i \neq h}$. Such a change unambiguously lowers all players' expected payoffs and USW. The proof closely parallels the proof of Prop. 18. Again, it is more interesting to consider the impact of a mean-preserving spread of $\boldsymbol{\Delta k}$. If we impose assumption A7 and let $[\underline{\theta}, \overline{\theta}] = [0, 1]$, the result we obtain is very similar to Prop. 19: if the largest element of $\boldsymbol{\Delta k}$ is less than $1/4n$, USW declines with a mean-preserving spread of $\boldsymbol{\Delta k}$; if the smallest element is greater than $1/4n$, USW increases.

8. Summary

This paper contributes to the literature on information aggregation. Two features that distinguish it from the mainstream of this literature is that players' reports are aggregated by averaging rather than majority rule, and their strategy set is an interval rather than a binary choice. In this context, the bounds on the strategy set play a critical role: if a group of players have distinct preferences, then all but at most one of them will be constrained by the bounds with positive probability. Our main general results are: if agents have identical preferences, information is perfectly transmitted, regardless of n; if there is any degree of preference heterogeneity, however, private information is entirely obliterated as n approaches infinity. For games with a small number of players, we establish a number of comparative statics results for a class of games with quadratic payoffs which we call anchored games: equilibrium outcomes and players' payoffs are independent of the size of the strategy set; as n increases, payoffs and social welfare tend to decline, but not necessarily monotonically; a mean-preserving increase in the heterogeneity of players' payoffs reduces payoffs and welfare, but if the player set is split into two symmetric factions, then an increase in the heterogeneity of each faction will under some conditions increase payoffs and welfare.

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APPENDIX: PROOFS

Proof of Proposition 1: To prove the proposition we apply Theorems 1 and 2 of Athey (2001). The first of these theorems is used to establish existence for finite-action aggregation games. The second implies existence for general aggregation games. To apply Athey's first theorem, we define a *finite action aggregation game* to be one in which players are restricted to choose actions from a finite subset of A. In all other respects, finite action aggregation games are identical to (infinite action) aggregation games. We now check that u satisfies Athey's Assumption A1. Clearly, our types have joint density w.r.t. Lebesgue measure which is bounded and atomless. Moreover, the integrability condition in Athey's A1 is trivially satisfied since u is bounded. Moreover, inequality (7) implies that the SCC holds. Therefore, every finite action aggregation game has an MPE in which player r's equilibrium strategy s_r is nondecreasing.

By Athey's Theorem 2, the restricted game has an MPE, call it $\mathbf{s}^*$. To show that $\mathbf{s}^*$ will also be an equilibrium for the original, unrestricted game, it suffices to show that for all r, all θ and all $a > \bar{a}$, $\frac{\partial U_r(a,\theta;\mathbf{s}^*_{-r})}{\partial a} < 0$. To establish this, note that $\mathbf{s}^*_{-r} \geq \underline{\mathbf{s}}_{-r} \geq 0$, so that since t is strictly increasing, $a > \bar{a}$ implies

$$U_r'(a,\theta;\mathbf{s}^*_{-r}) \quad < \quad U_r'(\bar{a},\theta;\mathbf{s}^*_{-r}) \quad \leq \quad U_r'(\bar{a},\theta;\underline{\mathbf{s}}_{-r}) \quad \leq \quad U_r'(\bar{a},\theta;0) \quad \leq \quad 0$$

Finally, to establish that s_r is strictly increasing and continuously differentiable on $(\underset{\sim}{\theta}_r(\mathbf{s}),\bar{\theta}]$, note that $U_r'(s_r(\cdot),\cdot;\mathbf{s}_{-r}) = 0$ on $(\underset{\sim}{\theta}_r(\mathbf{s}),\bar{\theta}]$. From (7), assumption A6 and the implicit function theorem, we have, for all $\theta \in (\underset{\sim}{\theta}_r(\mathbf{s}),\bar{\theta}]$, $\frac{ds_r(\theta)}{d\theta} = -\frac{\partial^2 U_r(s_r(\theta),\theta;\mathbf{s}_{-r})}{\partial a \partial \theta} \Big/ \frac{\partial^2 U_r(s_r(\theta),\theta;\mathbf{s}_{-r})}{\partial a^2} > 0$. ■

Proof of Proposition 2: Let $\mathbf{s}$ be an MPE and assume that $k_i - k_j > \varepsilon > 0$. Pick $\theta^* \in \Theta^* = \text{argmin}(s_i - s_j)$ and let $\gamma = s_i(\theta^*) - s_j(\theta^*)$, so that $s_i(\cdot) - \gamma \geq s_j(\cdot)$. Thus, γ is the minimum amount by which $s_i(\cdot)$ exceeds $s_j(\cdot)$; we will establish $\gamma \geq 0$. Note first that

$$\begin{aligned} U_j'(s_j(\theta^*),\theta^*;\mathbf{s}_{-j}) \quad &\equiv \quad U_j'(s_i(\theta^*)-\gamma,\theta^*;\langle s_i,\mathbf{s}_{-i,j}\rangle) \quad = \quad U_j'(s_i(\theta^*),\theta^*;\langle s_i-\gamma,\mathbf{s}_{-i,j}\rangle) \\ &< \quad U_i'(s_i(\theta^*),\theta^*;\langle s_i-\gamma,\mathbf{s}_{-i,j}\rangle) \quad \leq \quad U_i'(s_i(\theta^*),\theta^*;\langle s_j,\mathbf{s}_{-i,j}\rangle) \end{aligned} \tag{38}$$

The first equality merely relabels some terms; the second equality hold because the outcome function satisfies condition (3). The strict inequality holds because by assumption A5(ii), $k_j < k_i$ implies that $U_j' < U_i'$. The weak inequality holds because U_i is concave w.r.t. $\mathbf{s}_{-i}$ (display (6)) and $s_i(\cdot) - \gamma \geq s_j(\cdot)$. It now follows from (38) that if $U_i'(s_i(\theta^*),\theta^*;\mathbf{s}_{-i}) \leq 0$, then $U_j'(s_j(\theta^*),\theta^*;\mathbf{s}_{-j}) < 0$, implying that $s_j(\theta^*) = \underset{\sim}{a}$, while if $U_i'(s_i(\theta^*),\theta^*;\mathbf{s}_{-i}) > 0$, then $s_i(\theta^*) = \bar{a}$. In either case, $s_i(\theta^*) - s_j(\theta^*) \geq 0$. Hence, by definition of θ^*,

$$0 \quad \leq \quad s_i(\theta^*) - s_j(\theta^*) \quad \leq \quad s_i(\cdot) - s_j(\cdot), \tag{39}$$

i.e., i's strategy is never lower than j's strategy. Thus $s_j(\theta) > \underset{\sim}{a}$ implies $s_i(\theta) > \underset{\sim}{a}$, implying in turn $\underset{\sim}{\theta}_i(\mathbf{s}) \geq \underset{\sim}{\theta}_j(\mathbf{s})$; and $s_i(\theta) < \bar{a}$ implies $s_j(\theta) < \bar{a}$, implying in turn $\tilde{\theta}_j(\mathbf{s}) \leq \tilde{\theta}_i(\mathbf{s})$, so that part i) is proved.

To prove part ii), note that for $\theta \in \left(\underset{\sim}{\theta}_j(\mathbf{s}), \tilde{\theta}_i(\mathbf{s})\right)$,

$$\begin{aligned} U_i'(s_i(\theta),\theta;\langle s_j,\mathbf{s}_{-i,j}\rangle) &= 0 = U_j'(s_j(\theta),\theta;\langle s_i,\mathbf{s}_{-i,j}\rangle) \\ &\leq U_j'(s_j(\theta),\theta;\langle s_j,\mathbf{s}_{-i,j}\rangle) < U_i'(s_j(\theta),\theta;\langle s_j,\mathbf{s}_{-i,j}\rangle) \end{aligned} \tag{40}$$

The equalities hold because neither i nor j is constrained at type θ. The weak inequality follows from property (6) since, from (39), $s_i \geq s_j$, and the strict inequality is implied by A5(ii). The inequality between the first and last expressions of (40), combined with (6), imply that $s_i(\theta) > s_j(\theta)$, proving part ii). To prove part iii), note first that since $\frac{\partial^2 u}{\partial\tau\partial k}, \frac{\partial^2 u}{\partial\tau\partial\mu(\boldsymbol{\theta})} > 0 > \frac{\partial^2 u}{\partial\mu(\mathbf{a})^2}$ (assumptions A5 and A6), since u is bounded and the domain of u is compact, there exists $\delta, \omega_\theta, \omega_a > 0$ such that $\frac{\partial^2 u(\cdot,\cdot,\cdot)}{\partial\tau\partial k} > 2\delta$, $\frac{\partial^2 u(\cdot,\cdot,\cdot)}{\partial\tau\partial\mu(\boldsymbol{\theta})} < \omega_\theta$ and $\frac{\partial^2 u(\cdot,\cdot,\cdot)}{\partial\mu(\mathbf{a})^2} \in (-\omega_a, 0)$, so that for all n, $\frac{\partial^2 u(\cdot,\cdot,\cdot)}{\partial\tau\partial\theta} = \frac{1}{n^2}\frac{\partial^2 u(\cdot,\cdot,\cdot)}{\partial\tau\partial\mu(\boldsymbol{\theta})} < \omega_\theta/n^2$ while $\frac{\partial^2 u(\cdot,\cdot,\cdot)}{\partial a^2} = \frac{1}{n^2}\frac{\partial^2 u(\cdot,\cdot,\cdot)}{\partial\mu(\mathbf{a})^2} \in (-\omega_a/n^2, 0)$. Now fix $\hat{\theta} \in \left(\underset{\sim}{\theta}_j(\mathbf{s}), \tilde{\theta}_j(\mathbf{s})\right)$ so that j's first order condition is satisfied with equality at $\hat{\theta}$. From the strict inequality in (40), the lower bound on $\frac{\partial^2 u(\cdot,\cdot,\cdot)}{\partial\tau\partial k}$ and the fact that $(k_i - k_j > \varepsilon)$, we can infer that

$$U_i'(s_j(\hat{\theta}),\hat{\theta};\langle s_j,\mathbf{s}_{-i,j}\rangle) > 2\varepsilon\delta/n. \tag{41}$$

Moreover, using the bounds just identified, we have that for $n > \frac{\max\{(\bar{a}-\underline{a})\omega_a, (\bar{\theta}-\underline{\theta})\omega_\theta\}}{\varepsilon\delta}$,

$$\begin{aligned} U_i'(s_j(\hat{\theta}),\hat{\theta};\langle s_j,\mathbf{s}_{-i,j}\rangle) - U_i'(\bar{a},\hat{\theta};\langle s_j,\mathbf{s}_{-i,j}\rangle) &\equiv -\int_{s_j(\hat{\theta})}^{\bar{a}} \frac{dU_i'(\alpha,\hat{\theta};\langle s_j,\mathbf{s}_{-i,j}\rangle)}{da} d\alpha \\ &\leq \frac{\omega_a(\bar{a}-\underline{a})}{n^2} < \varepsilon\delta/n \end{aligned} \tag{42}$$

$$\text{while} \quad \begin{aligned} U_i'(\bar{a},\hat{\theta};\langle s_j,\mathbf{s}_{-i,j}\rangle) - U_i'(\bar{a},\underline{\theta};\langle s_j,\mathbf{s}_{-i,j}\rangle) &\equiv \int_{\underline{\theta}}^{\hat{\theta}} \frac{dU_i'(\bar{a},\vartheta;\langle s_j,\mathbf{s}_{-i,j}\rangle)}{d\theta} d\vartheta \\ &\leq \frac{\omega_\theta(\bar{\theta}-\underline{\theta})}{n^2} < \varepsilon\delta/n \end{aligned} \tag{43}$$

Inequalities (42) and (43) together imply that $U_i'(s_j(\hat{\theta}),\hat{\theta};\langle s_j,\mathbf{s}_{-i,j}\rangle) - U_i'(\bar{a},\underline{\theta};\langle s_j,\mathbf{s}_{-i,j}\rangle) < 2\varepsilon\delta/n$, which, together with (41), implies that $U_i'(\bar{a},\underline{\theta};\langle s_j,\mathbf{s}_{-i,j}\rangle) > 0$. It now follows from (8) and monotonicity of $s_i(\cdot)$ that $\bar{a} = s_i(\underline{\theta}) \leq s_i(\cdot)$, establishing part iii). The proof of iv) is parallel. ■

Proof of Proposition 4: Let $\mathbf{s}^n$ denote the MPE of the n'th game and let $K^n = \{\kappa \in K : \exists i \in \{1,\ldots,n\}$ s.t $k_i^n = \kappa$ and $s_i{}^n$ is non-degenerate$\}$. From parts iii) and iv) of Prop. 2, diameter$(K^n) \to_n 0$. Since the weak-star limit of (ϕ^n) is a nonatomic measure, it follows that $\forall\varepsilon > 0$, $\exists N \in \mathbb{N}$ such that for $n > N$, $\phi^n(K^n) < \varepsilon$. Conclude that the limit outcome is a constant function, whose value, k^*, is a convex combination of $\underline{a}$ and $\bar{a}$. ■

Proof of Proposition 6: We first assume that $\mathbf{s}$ is admissible and unit affine but not ZSUA, i.e., that there exists $\boldsymbol{\lambda} \in \Lambda^2$ such that $s_r(\cdot) = \iota(\cdot) + \lambda_r$, with $\sum_{r=i}^{j} \lambda_r \neq 0$. Assume w.l.o.g. that $\lambda_i \geq 0$ and that $|\underline{a}-\overline{\theta}| > |\overline{a}-\underline{\theta}|$, implying that $-\lambda_i \in \Lambda$. Fix θ_j arbitrarily:

$$U_j(s_j(\theta_j),\theta_j;s_i) \quad = \quad \int_\Theta u(t(\vartheta_i+\lambda_i,\theta_j+\lambda_j),(\vartheta_i,\theta_j),\overline{k})d\eta(\vartheta_i)$$

which, since t is CISE

$$< \quad \int_\Theta u(t(\vartheta_i,\theta_j),(\vartheta_i,\theta_j),\overline{k})d\eta(\vartheta_i) \quad = \quad U_j(\theta_j-\lambda_i,\theta_j;s_i)$$

That is, $s_j(\cdot)$ is not a best response against s_i so that $\mathbf{s}$ is not an equilibrium profile.
Now assume that $\mathbf{s}$ is continuous but not unit affine. (From Prop. 1, we do not need to consider discontinuous strategies.) Note also that for f and g continuous, $f \gneqq g$ implies that f strictly exceeds g with positive probability. W.l.o.g., assume that there exists $\lambda > 0$ such that $s_j(\cdot) \gneqq \iota(\cdot)-\lambda$, with $s_j(\underline{\theta}_j)=\underline{\theta}_j-\lambda$. We now show that if s_i is a best response to s_j, then $(s_i(\cdot)-\iota(\cdot))<\lambda$. Consider s_i such that $s_i(\overline{\theta}_i) \geq \overline{\theta}_i+\lambda$, for some $\overline{\theta}_i$, so that $s_i(\overline{\theta}_i)+s_j(\cdot) \geq \overline{\theta}_i+\lambda+s_j(\cdot) \gneqq \overline{\theta}_i+\iota(\cdot)$. Fact (5) on p. 12 now implies $t(s_i(\overline{\theta}_i),s_j(\cdot)) \geq t(\overline{\theta}_i+\lambda,s_j(\cdot)) \gneqq t(\overline{\theta}_i,\iota(\cdot))$. Since U_i is concave in t and, for all θ_j, $u(\cdot,(\overline{\theta}_i,\theta_j),\overline{k})$ is maximized at $t(\overline{\theta}_i,\theta_j)=\mu\left(\overline{\theta}_i,\theta_j\right)$:

$$U_i'(s_i(\overline{\theta}_i),\overline{\theta}_i;s_j) \;=\; \int_\Theta \frac{du}{da}(t(s_i(\overline{\theta}_i),s_j(\vartheta_j)),(\overline{\theta}_i,\vartheta_j),\overline{k})d\eta(\vartheta_i) \;\leq\; \int_\Theta \frac{du}{da}(t(\overline{\theta}_i+\lambda,s_j(\vartheta_j)),(\overline{\theta}_i,\vartheta_j),\overline{k})d\eta(\vartheta_i)$$
$$<\; \int_\Theta \frac{du}{da}(t(\overline{\theta}_i,\vartheta_j),(\overline{\theta}_i,\vartheta_j),\overline{k})d\eta(\vartheta_i) \;=\; 0$$

This establishes that if s_i is a best response to s_j, then $(s_i(\cdot)-\iota(\cdot))<\lambda$. But in this case, $s_j(\underline{\theta}_j)+s_i(\cdot)<\underline{\theta}_j+\iota(\cdot)$, implying that $t(s_j(\underline{\theta}_j),s_i(\cdot)) \;<\; t(\underline{\theta}_j,\iota(\cdot))$, so that $U_j'(s_j(\underline{\theta}_j),\underline{\theta}_j;s_i)>0$. Therefore, $s_j(\cdot)$ is not a best response for j against $s_i(\cdot)$ at $\underline{\theta}_j$. ■

Proof of Proposition 7: We will prove uniqueness only for non-degenerate equilibrium profiles. Uniqueness for other profiles is ensured by restriction (10), but we omit the details. Let $\boldsymbol{\lambda}^*$ be a NMPE for the aggregation game, and let $\boldsymbol{\lambda}$ be any other profile of strategies such that for some j, $\lambda_j \neq \lambda_j^*$. We will show that if $\boldsymbol{\lambda}$ satisfies the necessary condition (22), then it fails the other necessary condition (15′). Suppose w.l.o.g. that $\lambda_j > \lambda_j^*$. From (21), $E\xi_j(\lambda_j) < E\xi_j(\lambda_j^*)$. For all $r \neq j$, (22) implies that $E\xi_r(\lambda_r) < E\xi_r(\lambda_r^*)$, and (21) in turn implies that $\lambda_r > \lambda_r^*$. To establish that $\boldsymbol{\lambda}$ cannot satisfy (15′), it suffices to show that

$$\left(\sum_i \lambda_i + \sum_{i\neq j} E\xi_i(\lambda_i)\right) \quad > \quad \left(\sum_i \lambda_i^* + \sum_{i\neq j} E\xi_i(\lambda_i^*)\right) \quad = \quad nk_j$$

or, equivalently

$$\lambda_j - \lambda_j^* + \sum_{i\neq j}(\lambda_i - \lambda_i^*) \quad > \quad \sum_{i\neq j}(E\xi_i(\lambda_i^*) - E\xi_i(\lambda_i))$$

This last inequality is indeed satisfied, since by assumption $\lambda_j > \lambda_j^*$ while (21) implies that for all $i \neq j$, $\lambda_i - \lambda_i^* > E\xi_i(\lambda_i^*) - E\xi_i(\lambda_i)$. ■

Proof of Proposition 8: From (17), $E_{\boldsymbol{\vartheta}}\left(\mu(\mathbf{s}^*(\boldsymbol{\vartheta}))-\mu(\boldsymbol{\vartheta})\right)$ equals $\mu(\boldsymbol{\lambda}^*)+\mu(E\boldsymbol{\xi})$, which, from (15′), equals $k_r+E\xi_r/n$. Hence, from (23), $E_{\boldsymbol{\vartheta}}\left(\mu(\mathbf{s}^*(\boldsymbol{\vartheta}))-\hat{t}(\boldsymbol{\vartheta},k_r)\right)=E\xi_r/n$. ■

Proof of Proposition 9: Rearranging (15), we obtain the *interim expected equilibrium outcome*

$$E_{\boldsymbol{\vartheta}_{-r}}(\mu(\mathbf{s})|\theta_r) \quad = \quad \Big(\min\{\bar{a},\max\{\theta_r+\lambda_r,\underline{a}\}\} \quad + \quad nk_r+\sum_{i\neq r}E_{\boldsymbol{\vartheta}}\vartheta_i-\lambda_r\Big)/n$$

It follows that for (r,θ_r), the interim expected equilibrium and CIPO outcomes will coincide iff $\min\{\bar{a},\max\{\theta_r+\lambda_r,\underline{a}\}\}=\theta_r+\lambda_r$, i.e., (r,θ_r), is not constrained by the announcement bounds. ■

Proof of Proposition 10: Let $\xi_r^*=\xi_r(\lambda_r^*)$. Expanding the left hand side of (25), we obtain

$$\begin{aligned}
E_{\boldsymbol{\vartheta}}(\mu(\boldsymbol{\vartheta})+k_r-\mu(\mathbf{s}^*(\boldsymbol{\vartheta})))^2 \quad &= \quad E_{\boldsymbol{\vartheta}}(\mu(\mathbf{s}^*(\boldsymbol{\vartheta}))-\mu(\boldsymbol{\vartheta})-k_r)^2 \\
&= \quad E_{\boldsymbol{\vartheta}}(\mu(\mathbf{s}^*(\boldsymbol{\vartheta}))-\mu(\boldsymbol{\vartheta}))^2 \;-\; 2k_rE_{\boldsymbol{\vartheta}}(\mu(\mathbf{s}^*(\boldsymbol{\vartheta}))-\mu(\boldsymbol{\vartheta})) \;+\; k_r^2 \\
&= \quad E_{\boldsymbol{\vartheta}}(\mu(\mathbf{s}^*(\boldsymbol{\vartheta}))-\mu(\boldsymbol{\vartheta}))^2 \;-\; 2k_r\left(\mu\left(E\boldsymbol{\xi}^*\right)+\mu(\boldsymbol{\lambda}^*)\right) \;+\; k_r^2 \qquad (44)
\end{aligned}$$

The last equality follows from (20). Expanding the first term on the right hand side of (44),

$$E_{\boldsymbol{\vartheta}}(\mu(\mathbf{s}^*(\boldsymbol{\vartheta}))-\mu(\boldsymbol{\vartheta}))^2 \quad = \quad E_{\boldsymbol{\vartheta}}\Big(\mu(\underbrace{\mathbf{s}^*(\boldsymbol{\vartheta})-(\boldsymbol{\vartheta}+\boldsymbol{\lambda}^*)}_{\boldsymbol{\xi}^*})+\mu(\boldsymbol{\lambda}^*)\Big)^2$$

$$= \quad E_{\boldsymbol{\vartheta}}\left(\mu(\mathbf{s}^*(\boldsymbol{\vartheta})-(\boldsymbol{\vartheta}+\boldsymbol{\lambda}^*))\right)^2 \;+\; 2\mu(\boldsymbol{\lambda}^*)\mu\left(E\boldsymbol{\xi}^*\right) \;+\; \mu(\boldsymbol{\lambda}^*)^2 \qquad (45)$$

The first equality merely adds and subtracts $\mu(\boldsymbol{\lambda}^*)$ and rearranges terms; the second averages both sides of the identity in (17). Now expand the first term in (45) to obtain

$$E_{\boldsymbol{\vartheta}}\left(\mu(\mathbf{s}^*(\boldsymbol{\vartheta})-(\boldsymbol{\vartheta}+\boldsymbol{\lambda}^*))\right)^2 \quad = \quad \Big(\sum_i E_{\vartheta_i}(s_i^*(\vartheta_i)-(\vartheta_i+\lambda_i^*))^2 \;+\; \sum\sum\nolimits_{i\neq j}E\xi_i^*E\xi_j^*\Big)/n^2$$

$$= \quad \big(\sum_i V\xi_i^* \;+\; \sum_i(E\xi_i^*)^2 \;+\; \sum\sum\nolimits_{i\neq j}E\xi_i^*E\xi_j^*\big)/n^2 \quad = \quad \big(\sum_i V\xi_i^* \;+\; \big[\sum_i E\xi_i^*\big]^2\big)/n^2$$

$$= \quad \mu\left(\mathbf{V}\boldsymbol{\xi}^*\right)/n \;+\; \left(\mu\left(E\boldsymbol{\xi}^*\right)\right)^2 \qquad (46)$$

The first equality is obtained by expanding $\mu(\boldsymbol{\vartheta}+\boldsymbol{\lambda}^*-\mathbf{s}^*(\boldsymbol{\vartheta}))$, the second from the relationship $E(X^2)=Var(X)+(EX)^2$ for a random variable X. Now, substituting (46) back into (45)

$$E_{\boldsymbol{\vartheta}}(\mu(\mathbf{s}^*(\boldsymbol{\vartheta}))-\mu(\boldsymbol{\vartheta}))^2 \quad = \quad \mu\left(\mathbf{V}\boldsymbol{\xi}^*\right)/n \;+\; \left(\mu\left(E\boldsymbol{\xi}^*\right)+\mu(\boldsymbol{\lambda}^*)\right)^2 \qquad (47)$$

Finally, substitute (47) back into (44) to obtain

$$E_{\boldsymbol{\vartheta}}(\mu(\boldsymbol{\vartheta})+k_r-\mu(\mathbf{s}^*(\boldsymbol{\vartheta})))^2 \;=\; \mu\left(\mathbf{V}\boldsymbol{\xi}^*\right)/n \;+\; \left(\mu\left(E\boldsymbol{\xi}^*\right)+\mu(\boldsymbol{\lambda}^*)-k_r\right)^2 \;=\; \mu\left(\mathbf{V}\boldsymbol{\xi}^*\right)/n \;+\; (E\xi_r^*/n)^2$$

The last equality is obtained by adding $E\xi_r^*/n$ to both sides of (15′) and substituting for k_r. ■

Proof of Proposition 13: We first show that under A7, for the variance of r's deviation from affine is $V\xi_r(\lambda_r) = E\xi_r^2\left(\sqrt{\frac{8}{9\eta|E\xi_r|}} - 1\right)$. To see this, assuming w.l.o.g. that $\lambda_r > 0$, and using the fact that $\lambda_r \in \text{int}(\Lambda)$, we have

$$V\xi_r(\lambda_r) \quad = \quad -E\xi_r^2 \quad + \quad \int_{\bar{a}-\lambda_r}^{\bar{\theta}} (\vartheta_r + \lambda_r - \bar{a})^2 \, d\eta(\vartheta_r) \; = \; \eta/3\left(\lambda_r + \bar{\theta} - \bar{a}\right)^3 - E\xi_r^2 \qquad (48)$$

which, from (29),

$$= \quad \frac{\eta}{3}\left(\frac{2}{\eta}E\xi_r\right)^{3/2} - E\xi_r^2 \quad = \quad \sqrt{\frac{8|E\xi_r|^3}{9\eta}} - E\xi_r^2 \quad = \quad E\xi_r^2\left(\sqrt{\frac{8}{9\eta|E\xi_r|}} - 1\right).$$

Prop. 10 now implies that r's equilibrium expected payoff is $-\left\{\sum_i \left[E\xi_i^2\left(\sqrt{\frac{8}{9\eta|E\xi_i|}} - 1\right)\right] + (E\xi_r)^2\right\}/n^2$. Equation (30) then follows from Prop. 12. The inequality follows since $|k_j - k_i| \leq 2||\mathbf{k}||_\infty < (\bar{\theta} - \underline{\theta})/2n = 1/(2\eta n)$. ■

Proof of Proposition 14: The existence of a unique MPE was established in Prop. 7. Consider $\boldsymbol{\lambda}^*$ such that $E\xi_r(\lambda_r^*) = -nk_r$ for all r with $\lambda_r \in \text{int}(\Lambda)$ and parts i) and ii) of the proposition are satisfied. Our symmetry conditions ensure that such a vector exists, i.e., that if $\bar{r}$ and $\underline{r}$ are matched players, if $\lambda_{\underline{r}}^* = -\lambda_{\bar{r}}^*$, and $E\xi_{\bar{r}}(\lambda_{\bar{r}}^*) = -nk_{\bar{r}}$, it follows from symmetry, (17) and (18) that $E\xi_{\underline{r}}(\lambda_{\underline{r}}^*) = -nk_{\underline{r}}$. With the restrictions in (16), we only need to verify that (15′) is satisfied by $\boldsymbol{\lambda}^*$. Since $\sum_i k_i = 0$ (assumption A1), we have

$$-nk_r \quad = \quad \sum_{i \neq r} nk_i \quad = \quad -\sum_{i \neq r} E\xi_i(\lambda_i^*) \qquad (49)$$

Moreover, from parts i) and ii) of the proposition, $\sum_i \lambda_i^* = 0$. Substituting this property and (49) into the right hand side of (15′), we obtain

$$\sum_i \lambda_i^* + \sum_{i \neq r} E\xi_i(\lambda_i^*) \quad = \quad nk_r,$$

verifying that (15′) is indeed satisfied. ■

Proof of Proposition 16: From Prop. 14, we have

$$E\xi_r \quad \equiv \quad \int_{\underline{\theta}}^{\underset{\sim}{\theta}_r} (-\bar{a} - (\theta_r + \lambda_r))dH(\theta_r) \; + \; \int_{\tilde{\theta}_r}^{\bar{\theta}} (\bar{a} - (\theta_r + \lambda_r))dH(\theta_r) \quad \equiv \quad -nk_r, \qquad (50)$$

where in the first integration we substituted in $\underset{\sim}{a} = -\bar{a}$. Totally differentiating both sides with respect to $\bar{a}$ and λ_r and noting that $\underset{\sim}{\theta}_r = \underset{\sim}{a} - \lambda_r = -\bar{a} - \lambda_r$ and $\tilde{\theta}_r = \bar{a} - \lambda_r$, we obtain

$$\left[H(\underset{\sim}{\theta}_r) - (1 - H(\tilde{\theta}_r))\right] \; + \; \left[(H(\underset{\sim}{\theta}_r) + (1 - H(\tilde{\theta}_r))\right] \frac{d\lambda_r}{d\bar{a}} \quad = \quad 0.$$

Hence $\frac{d\lambda_r}{da} = \frac{(1-H(\tilde{\theta}_r))-H(\underset{\sim}{\theta}_r)}{H(\underset{\sim}{\theta}_r)+(1-H(\tilde{\theta}_r))}$. When r is bi-constrained, $H(\underset{\sim}{\theta}_r)$ and $H(\tilde{\theta}_r)$ are both nonzero, so that $\frac{d\lambda_r}{da} \in (0,1)$. When r is up-constrained (resp. down-constrained), $H(\underset{\sim}{\theta}_r) = 0$ (resp. $H(\tilde{\theta}_r) = 1$), so that $\frac{d\lambda_r}{da}$ reduces to 1 (resp. -1). If r is the middle player, $\lambda_r = 0$ and, since everything is symmetric, $H(\underset{\sim}{\theta}_r) = 1 - H(\tilde{\theta}_r)$ so that $\frac{d\lambda_r}{da} = 0$. ■

Proof of Proposition 17: Since part i) of the proposition follows immediately from the discussion below Prop. 16, we need only prove in detail part ii). Suppose there is a player i whose strategy is bi-constrained. (If i is not the middle player, his matched player is also bi-constrained.) We will show that as $\bar{a}$ increases by da, the variance term $V\xi_i$ decreases, which, from (25′) induces the same increase of $-\frac{1}{n^2}\frac{dV\xi_i}{da}da$ in the expected payoff of each player. Let the distribution function of player i's deviation from affine, ξ_i, be denoted as $F_i(\cdot)$. Obviously $F_i(\cdot)$ is derived from the distribution function of θ, $H(\cdot)$, as well as from i's strategy and the announcement bounds. The random variable ξ_i can be considered as a function of random variable θ_i:

$$\xi_i \quad = \quad \begin{cases} \underline{a} - (\theta_i + \lambda_i) \quad = \quad \underset{\sim}{\theta}_i - \theta_i & \text{if } \theta_i \leq \underset{\sim}{\theta}_i \\ 0 & \text{if } \underset{\sim}{\theta}_i < \theta_i \leq \tilde{\theta}_i \\ \bar{a} - (\theta_i + \lambda_i) \quad = \quad \tilde{\theta}_i - \theta_i & \text{if } \theta_i > \underset{\sim}{\theta}_i \end{cases} \tag{51}$$

Given that θ_i is distributed according to $H(\cdot)$, the distribution function $F_i(\cdot)$ of ξ_i can be derived by combining $H(\cdot)$ and (51). Specifically, the support of F_i is $[\tilde{\theta}_i - \bar{\theta}, \underset{\sim}{\theta}_i - \underline{\theta}]$; the fact that i is bi-constrained implies that $\tilde{\theta}_i - \bar{\theta} < 0$ and $\underset{\sim}{\theta}_i - \underline{\theta} > 0$; The values of F_i are given by

$$F_i(x) \quad = \quad \begin{cases} \text{Prob}(\tilde{\theta}_i - \theta_i \leq x) = 1 - H(\tilde{\theta}_i - x) & x \in [\tilde{\theta}_i - \bar{\theta}, 0) \\ \text{Prob}(\theta_i \geq \tilde{\theta}_i) = 1 - H(\tilde{\theta}_i) & \text{if } x = 0 \\ \text{Prob}(\underset{\sim}{\theta}_i - \theta_i \leq x) = 1 - H(\underset{\sim}{\theta}_i - x) & x \in (0, \underset{\sim}{\theta}_i - \underline{\theta}]. \end{cases} \tag{52}$$

Note in particular that $F_i(\cdot)$ jumps up at $x = 0$ from $1 - H(\tilde{\theta}_i)$ to $1 - H(\underset{\sim}{\theta}_i)$. To derive the variance $V\xi_i$, note first that since i is bi-constrained, $\lambda_i \in \text{int}(\Lambda)$. We can therefore invoke Prop. 14 to obtain:

$$-nk_i \quad \equiv \quad E(\xi_i) \quad = \quad \int_{\tilde{\theta}_i - \bar{\theta}}^{\underset{\sim}{\theta}_i - \underline{\theta}} \xi_i dF_i(\xi_i) \quad = \quad \underset{\sim}{\theta}_i - \underline{\theta} - \int_{\tilde{\theta}_i - \bar{\theta}}^{\underset{\sim}{\theta}_i - \underline{\theta}} F_i(\xi_i) d\xi_i,$$

where the last equality is obtained after integrating by parts. Thus,

$$\int_{\tilde{\theta}_i - \bar{\theta}}^{\underset{\sim}{\theta}_i - \underline{\theta}} F_i(\xi_i) d\xi_i \quad = \quad \underset{\sim}{\theta}_i - \underline{\theta} + nk_i. \tag{53}$$

The variance of ξ_i can now be written as

$$\begin{aligned}
V\xi_i \;&=\; \int_{\tilde{\theta}_i-\overline{\theta}}^{\underset{\sim}{\theta}_i-\underline{\theta}} (\xi_i - E(\xi_i))^2 dF_i(\xi_i) \;=\; (\underset{\sim}{\theta}_i - \underline{\theta} - E(\xi_i))^2 \quad - \quad \int_{\tilde{\theta}_i-\overline{\theta}}^{\underset{\sim}{\theta}_i-\underline{\theta}} F_i(\xi_i) 2(\xi_i - E(\xi_i)) d\xi_i \\
&= (\underset{\sim}{\theta}_i - \underline{\theta} + nk_i)^2 \quad - \quad 2nk_i \int_{\tilde{\theta}_i-\overline{\theta}}^{\underset{\sim}{\theta}_i-\underline{\theta}} F_i(\xi_i) d\xi_i \quad - \quad 2\int_{\tilde{\theta}_i-\overline{\theta}}^{\underset{\sim}{\theta}_i-\underline{\theta}} F_i(\xi_i)\xi_i d\xi_i \\
&= (\underset{\sim}{\theta}_i - \underline{\theta})^2 + 2(\underset{\sim}{\theta}_i - \underline{\theta}) nk_i + (nk_i)^2 \quad - \quad 2nk_i(\underset{\sim}{\theta}_i - \underline{\theta} + nk_i) \quad - \quad 2\int_{\tilde{\theta}_i-\overline{\theta}}^{\underset{\sim}{\theta}_i-\underline{\theta}} F_i(\xi_i)\xi_i d\xi_i \\
&= (\underset{\sim}{\theta}_i - \underline{\theta})^2 - (nk_i)^2 \;-\; 2\left[\int_{\tilde{\theta}_i-\overline{\theta}}^{0} (1 - H(\tilde{\theta}_i - \xi_i))\xi_i d\xi_i \;+\; \int_0^{\underset{\sim}{\theta}_i-\underline{\theta}} (1 - H(\underset{\sim}{\theta}_i - \xi_i))\xi_i d\xi_i\right], \qquad (54)
\end{aligned}$$

where the second equality follows from integration by parts, the third from $E(\xi_i) = -nk_i$, the fourth from (53) and the fifth from (52). Now, differentiating (54) with respect to $\overline{a}$ and noting that $\underset{\sim}{\theta}_i = \underline{a} - \lambda_i = -\overline{a} - \lambda_i$ and $\tilde{\theta}_i = \overline{a} - \lambda_i$, we obtain

$$\begin{aligned}
\frac{dV\xi_i}{d\overline{a}} \quad &= \quad 2\left\{\left[1 - \frac{d\lambda_i}{d\overline{a}}\right]\int_{\tilde{\theta}_i-\overline{\theta}}^{0} \eta(\tilde{\theta}_i - \xi_i)\xi_i d\xi_i \quad - \quad \left[1 + \frac{d\lambda_i}{d\overline{a}}\right]\int_0^{\underset{\sim}{\theta}_i-\underline{\theta}} \eta(\underset{\sim}{\theta}_i - \xi_i)\xi_i d\xi_i\right\} \\
&= \quad \frac{4}{H(\underset{\sim}{\theta}_i) + (1 - H(\tilde{\theta}_i))} \times \qquad (34') \\
&\qquad \left\{H(\underset{\sim}{\theta}_i)\int_{\overline{\theta}}^{\tilde{\theta}_i} (\theta_i - \tilde{\theta}_i) dH(\theta_i) \;-\; (1 - H(\tilde{\theta}_i))\int_{\underset{\sim}{\theta}_i}^{\underline{\theta}} (\theta_i - \underset{\sim}{\theta}_i) dH(\theta_i)\right\} \;<\; 0
\end{aligned}$$

The first inequality holds because $H(\underline{\theta}) = 0$ and $H(\overline{\theta}) = 1$, while $\frac{d\underset{\sim}{\theta}_i}{d\overline{a}} \equiv \frac{d(\underline{a}-\lambda_i)}{d\overline{a}} = -(1 + \frac{d\lambda}{d\overline{a}})$ and $\frac{d\tilde{\theta}_i}{d\overline{a}} \equiv \frac{d(\overline{a}-\lambda_i)}{d\overline{a}} = (1 - \frac{d\lambda}{d\overline{a}})$. The second equality is obtained by substituting in the value of $d\lambda_i/d\underline{a}$ using (33), changing the variables of integration from ξ_i to $\theta_i = \tilde{\theta}_i - \xi_i$ and to $\theta_i = \underset{\sim}{\theta}_i - \xi_i$ in the two integrations respectively. The term in curly brackets is negative because $\underline{\theta} < \underset{\sim}{\theta}$ while $\overline{\theta} > \tilde{\theta}$. ■

Proof of Proposition 18: By symmetry, we can, w.l.o.g., assume that $k_r > 0$. Similar to the procedures used to derive (34′), we differentiate the expression for $V\xi_r$ in (54) w.r.t. λ_r, to obtain

$$\frac{\partial V\xi_r}{\partial \lambda_r} = 2\int_{\underline{\theta}}^{\underset{\sim}{\theta}_r} (\theta_r - \underset{\sim}{\theta}_r) dH(\theta_r) + 2\int_{\tilde{\theta}_r}^{\overline{\theta}} (\theta_r - \tilde{\theta}_r) dH(\theta_r) = -2E\xi_r = 2nk_r, \qquad (55)$$

where the last equality follows from Prop. 14. Note that if r is up-constrained, the first term in expression (55) is zero. Since $\frac{dV\xi_r}{dk_r} = \frac{\partial V\xi_r}{\partial k_r} + \frac{\partial V\xi_r}{\partial \lambda_r}\frac{d\lambda_r}{dk_r}$, the Proposition is obtained by taking the derivative of (54) with respect to k_r and combining (35) with (55). ■

Proof of Proposition 19: Let I^+ denote the members of the right-wing faction and let I^+_- denote the moderate members of this faction. Pick $r \in I^+$. Let $\xi_r(\gamma)$ denote r's deviation from affine in the equilibrium associated with the parameter γ. Since r is up-bounded, we have

$$n\bar{k}_r^+ = -E\xi_r(0) = \int_{\tilde{\theta}_r}^{\bar{\theta}} (\theta_r - \tilde{\theta}_r) dH(\theta_r) = 0.5\int_{\tilde{\theta}_r}^{1} (\theta_r - \tilde{\theta}_r) d\theta = (1-\tilde{\theta}_r)^2/4$$

The first equality follows from Prop. 14 and the third from assumption A8(i). Hence $\tilde{\theta}_r = 1 - 2\sqrt{n\bar{k}_r^+}$. Moreover, $H(\tilde{\theta}_r) = 0.5\int_{-1}^{\tilde{\theta}_r} d\theta = \frac{1+\tilde{\theta}_r}{2}$. Now from (36)

$$\left.\frac{dV\xi_r}{dk_r}\right|_{\gamma=0} = 2n^2\bar{k}_r^+\left(\frac{H(\tilde{\theta}_r)}{1-H(\tilde{\theta}_r)}\right) = 2n^2\bar{k}_r^+\left(\frac{1+\tilde{\theta}_r}{1-\tilde{\theta}_r}\right) = 2n^2\bar{k}_r^+\left(\frac{1-\sqrt{n\bar{k}_r^+}}{\sqrt{n\bar{k}_r^+}}\right)$$
$$= 2n(\sqrt{n\bar{k}_r^+} - n\bar{k}_r^+)$$

Hence $\left.\frac{d^2V\xi_r}{dk_r{}^2}\right|_{\gamma=0} = n\left(\sqrt{n}/\sqrt{\bar{k}_r^+} - 2n\right) \lesseqgtr 0$ as $\bar{k}_r^+ \gtreqless 1/4n$. That is, for $k' > k$, $\frac{dV\xi_r(k')}{dk} > \frac{dV\xi_r(k)}{dk}$ if $k' < 1/4n$ and $\frac{dV\xi_r(k')}{dk} < \frac{dV\xi_r(k)}{dk}$ if $k > 1/4n$. From Prop. 11, Prop. 14 and symmetry, $\text{USW} = -2\sum_{i\in I^+} V\xi_i(\gamma)$, so that

$$\left.\frac{d\text{USW}}{d\gamma}\right|_{\gamma=0} = -2\sum_{i\in I^+}\left.\frac{dV\xi_i(\gamma)}{d\gamma}\right|_{\gamma=0} = -2\sum_{i\in I_-^+}\alpha_i\left(\left.\frac{dV\xi_{i+n/4}(\gamma)}{dk_{i+n/4}}\right|_{\gamma=0} - \left.\frac{dV\xi_i(\gamma)}{dk_i}\right|_{\gamma=0}\right)$$

Since $\bar{k}_{i+n/4}^+ > \bar{k}_i^+$, we have $\left.\frac{d\text{USW}}{d\gamma}\right|_{\gamma=0} > 0$ if $\min(\bar{\mathbf{k}}^+) > 1/4n$ and $\left.\frac{d\text{USW}}{d\gamma}\right|_{\gamma=0} < 0$ if $\max(\bar{\mathbf{k}}^+) < 1/4n$. ■

Proof of Proposition 20: We first establish $\lambda_h^* > 0$, so that, from (37), $E\xi_h(\lambda_h^*) = 0$ and thus h is the anchor of the game. Suppose instead that $\lambda_h^* \leq 0$ and $\lambda_h^* \in \text{int}(\Lambda)$. (We can easily rule out the situation when $\lambda_h^* = \min(\Lambda) = \underline{a} - \bar{\theta}$; we omit the details.) Since $k_h > k_r\ \forall r \neq h$, (22) implies that $E\xi_h(\lambda_h^*) < E\xi_r(\lambda_r^*)$ and thus $\lambda_r^* < \lambda_h^* \leq 0$. Since $E\xi_r(\lambda_r) = 0$ when $\lambda_r = 0$, (21) and $\lambda_r^* < 0$ imply that

$$\lambda_r^* + E\xi_r(\lambda_r^*) < 0. \tag{56}$$

From (15′) and $\lambda_h^* \in \text{int}(\Lambda)$, $\lambda_h^* = nk_h - \sum_{r\neq h}(\lambda_r^* + E\xi_r(\lambda_r^*)) > 0$, where the inequality is due to $k_h > 0$ and (56). This contradicts our supposition that $\lambda_h^* \leq 0$. Property (37) now ensures that $E\xi_r(\lambda_r) = 0$, so that single-bounded aggregation games are anchored with anchor h. The second part of the proposition now follows from Prop. 12. ■

Proof of Proposition 21: Let $\boldsymbol{\lambda}^n$ denote the MPE of the n'th game and let $K^n = \{\kappa \in K : \exists i \in \{1,...,n\} \text{ s.t. } k_i^n = \kappa \text{ and } \lambda_i^n \in \text{int}(\Lambda)\}$. From Prop. 20, $\lambda_h^n \geq 0$ and by construction, the upper bound on announcements never binds. Hence $k_h^n \in K^n$, for all n. Next note that as in the proof of Prop. 4, diameter$(K^n) \to_n 0$, so that the limit outcome is a constant function. Since h is almost-never-constrained, Prop. 9 now implies that the limit outcome coincides with the limit of h's interim expected CIPO outcomes (which are independent of θ_h). Specifically, this limit is $\lim_n k_h^n + E_\vartheta E_{\boldsymbol{\vartheta}_{-r}}\mu(\langle\theta_r, \boldsymbol{\vartheta}_{-r}\rangle) = \lim_n k_h^n + E_\vartheta\vartheta$. ■