

Austerity

Package Deal Game

Information

Purpose: To illustrate how two-level games and package deals work. The game also highlights the importance of information in negotiations.

Objective: To find an agreement on coordinated cuts to public spending: this should equal 10% across the Bic-zone.

Scenario: Three countries share a single currency, the Bic. With a global economic recession, there is a need to cut public spending across the Bic-zone.

Rules:

- In each country, agreement is to be decided as follows:
 - In countries 1 & 2, the government can impose its decision on the other national actors, unless all those actors can agree a common position; i.e. as long as the government can get at least one other actor to agree with it, then it can set its own values.
 - In country 3, all actors have to agree, otherwise there is no agreement.
 - Each actor has figures for three policy areas. The percentage next to the name of the area indicates the size of the national budget taken up by that spending (note that not all spending areas are listed). The indication beneath shows what preferences the actor has in that area for changing spending. **Individuals should seek to get as close to their objectives as possible.**
 - Where no value is given for a cut in spending in a particular field, the actor has no strong preference.
- In Bic-zone discussions, agreement is reached by unanimity between national governments:
 - The states form a single economic area, with a single currency, the Bic-zone. With the economic crisis, the group need to cut total public spending by 10%. Failure to do so will result in strong financial pressures on the Bic-zone and a much worse recession.
 - National governments will represent their state in negotiations and will report back to their states after the first two rounds of Bic-zone negotiations.
- The rounds of negotiation are as follows:
 - 15 minutes – national negotiations
 - 15 minutes – Bic-zone negotiations
 - 10 minutes – national negotiations
 - 10 minutes – Bic-zone negotiations

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- 10 minutes – national negotiations
- 10 minutes – Bic-zone negotiations
- National groups will sit separately around the room.
- During the first two rounds of Bic-zone negotiations, the national ministries will leave the room.