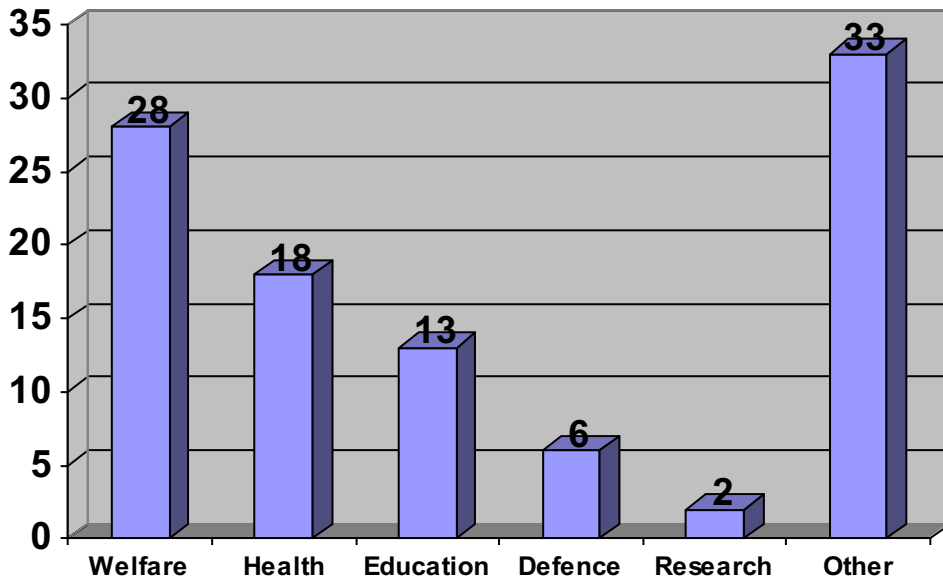


Package Deal Game: Austerity

- The Simon Union (SU) consists of three member states: Bigistan; Escargot and Communia. The states have a single currency, the Simonito.
- There is a global economic crisis and states around the world have to tighten their belts. The SU has come under much attention recently, due to its incomplete fiscal integration.
- In this game, the SU has to try to find agreement on how to cut public spending, so as to reassure financial markets and so avoid a much worse recession.
- Players will represent either a national role, or that of the markets. **Objectives are highlighted in bold in this document.**
- A calculator spreadsheet in Excel is also available.

Bigistan (5 players):

- In Bigistan, the government can impose its decision on changes in spending on any one area 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.
- Players will represent either the government, one of the three main ministries, or a super-ministry that deals with all other spending.
- Each actor has figures for three policy areas. The indication shows what preferences the actor has in that area for changing spending: overall Bigistan spending is indicated by the graph. Total Bigistan spending equals 500 billion Simonitos. **Actors 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.



Government		
Welfare	Health	Education
20% cut	0% cut	10% cut

Education Ministry		
Education	Health	Defence
5% growth	10% cut	20% cut

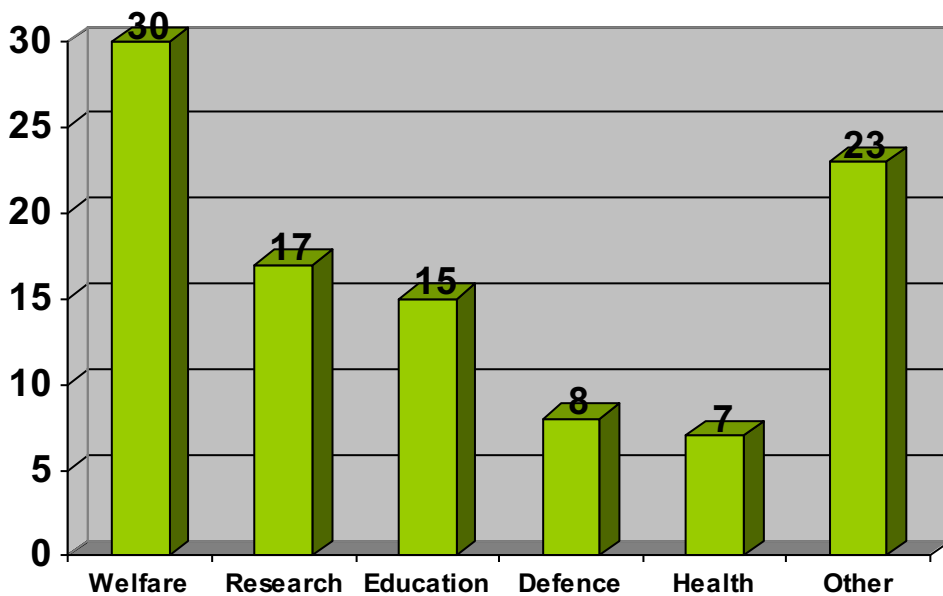
Welfare Ministry		
Welfare	Health	Defence
5% cut	10% cut	15% cut

Defence Ministry		
Welfare	Education	Defence
10% cut	5% cut	5% growth

Super Ministry (including Research)		
Research	Education	Defence
20% growth	5% cut	25% cut

Escargot (5 players):

- In Escargot, the government can impose its decision on changes in spending on any one area 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.
- Players will represent either the government, one of the three main ministries, or a super-ministry that deals with all other spending.
- Each actor has figures for three policy areas. The indication shows what preferences the actor has in that area for changing spending: overall Escargot spending is indicated by the graph. Total Escargot spending equals 300 billion Simonitos. **Actors 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.



Government		
Welfare	Research	Education
10% cut	15% cut	5% cut

Research Ministry		
Research	Education	Defence
5% cut	5% cut	20% cut

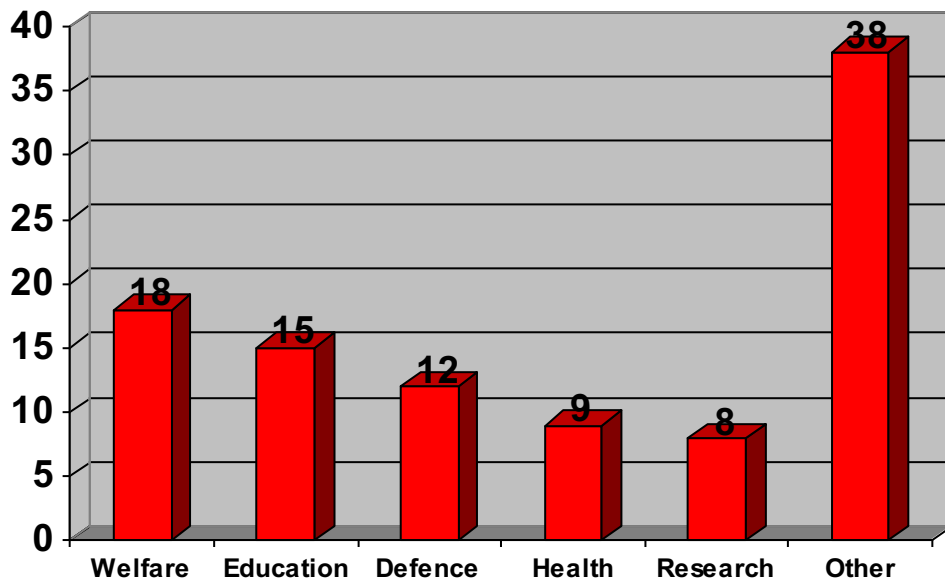
Welfare Ministry		
Welfare	Research	Defence
5% cut	15% cut	20% cut

Defence Ministry		
Welfare	Education	Defence
15% cut	10% cut	5% growth

Super Ministry (including Health)		
Health	Education	Welfare
5% growth	5% growth	5% cut

Communia (4 players):

- In Communia, all actors have to agree on changes in spending on any one area, otherwise there is no position.
- Players will represent either the government, one of the three main ministries, or a super-ministry that deals with all other spending.
- Each actor has figures for three policy areas. The indication shows what preferences the actor has in that area for changing spending: overall Communia spending is indicated by the graph. Total Communia spending equals 200 billion Simonitos. **Actors 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.



Government		
Welfare	Education	Defence
10% cut	10% cut	10% cut

Defence Ministry		
Welfare	Defence	Health
15% cut	5% growth	15% cut

Welfare Ministry		
Welfare	Research	Defence
5% growth	15% cut	15% cut

Super Ministry (inc. Education, Health, Research)		
Health	Education	Research
5% growth	5% growth	5% growth

Simon Union (SU) Discussions:

- In SU discussions, agreement is reached by unanimity between national governments.
- National governments will represent their state in negotiations and will report back to their states after the first two rounds of SU negotiations.
- Total SU spending is 1000 billion Simonitos.
- **By the end of the final round, the SU has to produce a text that specifies all changes to national budgets, with the calculation to show that the headline goal has been achieved and a justification for the decision.** This justification should explain how the changes to national budgets will help both the short-term goal of spending reduction and the longer term goal of promoting growth.
- **The opening target for overall SU spending cuts is 10%, in order to avoid further pressure of the financial markets.** This is subject to revision during the game (see Market Player section).

The Rounds of Negotiation:

- There are three cycles of state and SU negotiations:
 - 15 minutes – state negotiations
 - 15 minutes – SU negotiations
 - 10 minutes – state negotiations
 - 10 minutes – SU negotiations
 - 10 minutes – state negotiations
 - 10 minutes – SU negotiations
- National groups will sit separately around the room.
- During the first two rounds of SU negotiations, the national ministries will leave the room.
- At the end of each SU negotiation, a representative of the SU will make a statement on progress made in the negotiations. At the end of the final round this will be accompanied by the text of an agreement.

Market Players (all remaining players):

- The market players will watch the negotiations.
- If all participants in a particular state- or SU-level negotiation all agree, the market player can be excluded from watching.
- On the basis of how well the Market Player considers the negotiation to be going (including the SU statements) in relation to the targets, they can vary the amount of cuts required by up to 2% in either direction. This can only be done at the end of the first and second SU negotiations. Decisions will be by simple majority.
- Any change will have to be accompanied by a justification for the change.

For Later Reflection:

- This is a two-level game and tries to get you to think about how this shapes your behaviour.
- You might consider the following aspects:
 - What were you trying to do: pursue your individual interest, that of your country, of that of the SU?
 - Did you focus on the numbers, or on the politics behind the numbers?
 - How are issues bundled together?
 - How are levels of negotiation bundled together? For example, did governments face up or down?
 - Who has power? Of what sort?
 - Is altruism better than self-interest in this game?