

A MECHANISM THAT OVERCOMES COORDINATION FAILURE BASED ON  
GRADUALISM, ENDOGENEITY, AND MODIFICATION

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Abstract

We examine three tools that can enhance coordination success in a repeated multiple choice coordination game. Gradualism means that the game starts as an easy coordination problem and moves gradually to a more difficult one. Endogeneity implies that a gradual increase in the upper limit of coordination occurs only if coordination with the Pareto superior equilibrium in a stage game is attained. Modification requires that when they fail coordination, the level of the next coordination game is adjusted to an easier one. We find from laboratory experiment that a mechanism that combines these three, termed herein the GEM, works well.

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Keyword: Coordination Failure, Minimum Effort Game, Experiment, Gradualism, Endogeneity, Modification

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