

# The Way out of the Trap

## Experiments on Dynamic Coordination Games

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### Abstract

Underdevelopment is often seen as the result of coordination failure between different parts of the economy. Positive agglomeration economies may imply that no one sector of the economy can develop alone; instead, coordinated development of many economic activities is required for a country to achieve greater prosperity. We present experiments from dynamic coordination games in which moving between a traditional and a modern sector has a fix cost, and the returns to modernization only arise with some delay. Both complete stagnation as well as immediate development are equilibria of the dynamic game independently of the cost and delay. However, our results show that coordinated development does depend on both factors, the cost structure and the presence of delay.

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