

### Abstract

In this paper we take a step in the direction of a more systematic way of relating recent advances in economic theory to modern empirical analysis. We do this by structurally estimating a bargaining model of government formation in a multiparty parliamentary system. This example provides us with a simple, concrete framework to illustrate an effective way of bringing a game-theoretic model to the data. The bargaining model we study here is a stochastic model of sequential bargaining of the type analyzed by Merlo and Wilson (1992). Within the class of strategic bargaining models with complete information, this model represents an ideal framework for investigations aimed at empirically grounding the theoretical analysis, for it is very flexible and naturally leads to its estimation. With respect to the specific issue under investigation, we test our model against data on the duration of the bargaining process over government formation in post-war Italy (1948–1991). A preliminary econometric analysis of the duration data shows a good correspondence with the predictions of the model. Structural estimation confirms this result and points out that the model fits the data well regardless of the limitations imposed by the parametric specification adopted. The exercise we perform shows the usefulness of structural estimation as an instrument to better understand the full set of implications conveyed by a theoretical model.

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