

# How to win by concession and avoid unproductive conflict

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A new study published in *Economic Inquiry* explores the seminal question: "If we can make a deal, why fight?" The authors conclude that a combination of common knowledge and a common rate of time preference allow a potential loser to use small concessions to successfully appease an expected winner. Given the right conditions, small negotiated concessions can work, but in situations where clear and specific inequities exist, appeasement can be a dangerous thing.

In "The Slippery Slope of Concession" insights from the late, great American economist Jack Hirschleifer are intertwined into a piece by colleagues Michele Boldrin and David Levine to offer a fresh look at some fundamental questions of conflict resolution.

This piece examines the dynamics of conflict and the problem of time consistency. If a potential loser agrees to a concession, what guarantees are there that more demands are not then made? The article offers a rigorous proof of their theorem that "in the baseline case of common beliefs and identical time preferences, if the size of indivisibility is sufficiently small, conflict can always be avoided by a series of small concessions, with both parties recognizing that there will be additional concessions in the future."

Conflict is only avoidable when both parties agree that peace is preferable, but the degree to which a perceived winner is more impatient than a likely loser appears to be a key factor in the inevitability of conflict. The presence of indivisibilities in the allocation of resources or

in the making of concessions can also impede the likelihood of harmonious outcomes.

The authors find that appeasement can be a good plan. When choice is possible, trade should be chosen over conflict. Hirschleifer states, "Warfare, even if there were not too much in the way of battle damage or even opportunity cost, would still not lead to a mutually desired reshuffling of the social totals."

More information: To view the abstract for this article, please visit: [www3.interscience.wiley.com/jo ... 1/120747227/abstract](http://www3.interscience.wiley.com/jo.../1/120747227/abstract)

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