

# Game theory offers better way forward in Britain's EU drama

June 23 2016, by Richard Fairchild, University Of Bath

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Credit: AI-generated image ([disclaimer](#))

The way that the EU referendum campaigns – both for and against British membership of the bloc – have been handled has been redolent of game playing. As an academic who studies game theory, a number of parallels are evident. And, from the displays of nastiness on both sides of the campaign, it is clear that Britain needs to forge a more productive

path forward in its relationship with the EU – whether it remains or leaves. My work on a new type of game theory may offer some insights.

From the moment David Cameron went to Brussels in February 2016 to secure better terms for Britain's EU membership, the games began. Having already promised a [referendum](#) on Britain's EU membership, he was no doubt hoping to use the shadow of a Brexit vote as a bargaining chip in his negotiations.

Essentially, he argued that if the other leaders agreed to the UK's demands for concessions, he would be able to convince the British public to vote to remain in the EU. If the UK didn't get what it wanted, the implication was that Britain would exit and weaken the EU for the remaining nations. The looming referendum was designed to increase the UK's bargaining power, but it fell flat and the other leaders called his bluff, making limited concessions.

## **A credible threat?**

An important concept in [game theory](#) when it comes to winning negotiations is the idea of making "[credible threats](#)". For Cameron's threat to be credible (and therefore effective) it required the other EU leaders to believe he had such influence over the referendum outcome that he could determine a vote to remain or leave. With the referendum now looming and victory for Remain far from certain, it would seem as though his threat was not credible.

Meanwhile, members of the Leave camp appear to be using the referendum in similar ways – to secure better terms of EU membership for the UK. Former leader of the Conservative Party, Michael Howard, [has argued](#) that the February negotiations failed and that, if the UK votes to leave the EU, this will "shake Europe's leaders out of their complacency". He said:

*There would be a significant chance that they [the EU] would ask us to think again. When Ireland and Denmark voted to reject EU proposals, the EU offered them more concessions and, second time round, got the result they wanted.*

So, in a sense, this Leave campaigner and the UK prime minister have been using the referendum in similar ways – to secure better terms of EU membership. Where they differ, however, is that Michael Howard is keeping his threat alive. Vote Leave on June 23, he says and use this as a bargaining chip against an EU [desperate for Britain to stay](#).

With the polls neck and neck on the cusp of the EU referendum and no sign of further concessions being made by the EU, we appear to be witnessing another key game theory concept at play: [the game of chicken](#)

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This is the well-known game where two players drive at speed towards each other on a single-track road. Whoever swerves first loses. Of course, if neither player swerves, then they crash into each other and both lose. Some have asked whether it is sensible for the UK to play this game [with a 27-headed opponent](#).

## **Tapping into our emotions**

Where traditional game theory falls down in analysing Britain's relationship with the EU is the way that it is based on the idea that humans are all fully rational, unemotional, self-interested people who get the most value out of everything we do, with no regard for others.

Step in behavioural economics and behavioural game theory, which incorporates psychology, emotions and social preferences – such as our sense of fairness, trust and empathy – into the standard economics models. It recognises that people may care about others – and

particularly working with others for a common goal.

Take the classic [prisoner's dilemma](#) – where the obvious, rational strategy for each individual in the game results in the worst outcome for both. Research [shows](#), however, that if we add empathy into models of the prisoner's dilemma – where each player cares sufficiently about the other – it can transform the game into one of mutual cooperation, enabling a win-win situation for both players.

This can be true for the EU and Britain. If both sides were to develop greater empathy for the other side – this would entail closer relationships between all of the nations, more awareness of each other's needs, greater kindness towards each other, softer negotiating approaches, and a better view of humanity – both will be better placed to reach a mutually beneficial outcome.

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