Main Topic: Examine different strategies to achieve cooperation under an anarchic system, international institutions, and why anarchy prevails despite being costly.

1  Key Terms

- defense dominance
- Pareto efficient
- coordination problem
- international institution
- neoliberalism
- tit-for-tat strategy
- credibility
- war of nationalism

2  Key Themes/Ideas

Q. What criteria do we use to evaluate the costs and benefits of anarchy?
Answer: According to Professor Fearon, two criteria to evaluate the costs of anarchy are (1) Pareto efficiency and (2) distributive justice.

Q. What is a Pareto efficient outcome?
Answer: A Pareto efficient outcome is if there is no other outcome where all players are at least as well off as another outcome and at least one player gets a higher payoff than that other outcome.

Q. Why is anarchy costly?
Answer: Anarchy is costly because it creates commitment problems that lead to Pareto inefficient (costly) outcomes.

Q. What are three ways to induce cooperation under the Prisoner’s Dilemma (PD)?
Answer: Three ways to facilitate cooperation under the PD are (1) first-party enforcement including changing the preference ordering of parties involved, (2) second-party enforcement via strategies of reciprocity and repeated interactions, and (3) third-party enforcement by outside parties.

Q. Why do tit-for-tat strategies work?
Answer: Players can earn more through cooperation over time than defecting in one period.

Q. What is the role of international institutions in inducing cooperation?
Answer: Institutions codify decentralized monitoring and enforcement by other states which facilitates second-party enforcement.

Q. What are the limits to conditional cooperation?
Answer: Conditional cooperation does not work when: (1) a state has the ability to permanently change bargaining power and (2) states are not around to punish defection.

Q. Why is there no world government if anarchy is costly?
Answer: There is a relative trade-off of world government costs versus anarchy costs. Anarchy imposes costs on all states, but a world government can create even worse costs for some parties.

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3 Key Readings

- FLS, Chapter 2, 52-68

4 Review Questions

Check your understanding of this week’s material and key ideas with the following questions.

- Are equilibria always Pareto efficient? Provide an example to back up your answer.
- Members of NATO agree that using military force to stabilize Afghanistan is important to global peace and security. The United States contributes far more to this mission than do other members. Why is this the case? What is this an example of according to FLS?
- Game theory relies on assumptions that actors are rational. What are the advantages and disadvantages to this approach?
- How can an actor increase the credibility of their promise to cooperate? How can they convince another actor they are not just bluffing?
- Explain why Professor Fearon argues arms control agreements are an example of tit-for-tat strategies.
- How does the offense-defense balance affect the probability of cooperation under anarchy according to Jervis?
- Why would a world government lead to more inefficient outcomes?
- What are the pluses and minuses of anarchy? Why does it prevail?
- What does Professor Fearon mean when he says ‘international anarchy is a choice, not a fact?’
- Are nationalist wars more likely to pursue regime change or territorial change? Give an example of each.
- How does nationalism affect the game-theoretic way we examine wars?