Evan Friedman

Presentation Title

Mediating Conflict in the Lab

(with Alessandra Casella and Manuel Perez Archila)

Abstract

According to the theory of mechanism design, the presence of a mediator can strictly improve the chances for peace between two contestants. What is striking is that the result follows even when the mediator is less informed than the two parties and has no enforcement power. We test the theory in a lab experiment where two subjects negotiate how to share a resource. In case of conflict, the subjects' privately known strength determines their payoff. The subjects send cheap talk messages about their strength to one another or to the mediator, before making their demands or receiving the mediator's recommendations. We find that, in line with the theory, messages are significantly more sincere when sent to the mediator. However, contrary to the theory, peaceful resolution is not more frequent, even when the mediator is a computer implementing the optimal mediation program. While the theoretical result refers to the best (i.e. most peaceful) equilibrium under mediation, multiple equilibria exist, and the best equilibrium is particularly vulnerable to small deviations from full truthfulness and from full rationality.

Keywords

Mediation; Conflict Resolution; Experimental Economics

Affiliation

University of Essex