

# PP5182: 12–13. Reordering World Order

LKY School of Public Policy

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# OUTLINE

1. Group Decisions
2. Group Tools
3. A Rational World Order
4. Conclusion

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# Collective Decision Making

Two related propositions:

1. Individuals seek to advance their self-interests.
2. A group acts so as to advance the group's interests.

But 1.  $\not\Rightarrow$  2., whether in small or large groups. Indeed, even inconsistent.

- Prisoners Dilemma. Free-riding through anonymity
- Hobbes. Realists. Liberals. Rational decision making.
- From local governments through world order. Tolerance; disdain

## Applications:

1. Altruism
2. National identity
3. World order: “Solving the problems of Hobbes to uncover the opportunities of Locke”
4. Enlightened collective action

## Group Engagement; Games — Description (1)

Payoff matrix:

	A	B	C	...
1	(1, 0)	(0, 1)	(1, 1)	...
2	(1, -1)	(2, -2)	(0, 0)	...
...	...			

1. This is not a zero-sum game: The first row shows positive-sum payoffs.
2. But if all rows shared the same zero-sum property as in the second row then, yes, the game would be zero-sum.

## Group Engagement; Games — Description (2)

Prisoners Dilemma:

	A	B
1	(-10, -10)	(6, -15)
2	(-15, 6)	(5, 5)

1. Not zero sum
2. Self-seeking behaviour leads to the worst possible outcome
3. Dominant strategy
4. Cooperation is unambiguously good but is tricky to attain
5. Benevolent leadership. World government
6. Can this game be rewired? Repetition
  - 6.1 Finite number of repetitions; unwinding
  - 6.2 Infinite repetition and “tit for tat” strategy

## Group Engagement; Games — Description (3)

Equilibrium:

1. A **Nash equilibrium** is when every nation chooses the best response, taking as given what others do.
2. An outcome is not **Pareto** if some other outcome improves the well-being of one nation without making anyone else worse off. Otherwise, the outcome is Pareto.
3. Multiple equilibria: Leadership, nudging

Properties:

1. If a game is zero-sum then every outcome is Pareto.
2. In Prisoners Dilemma, the Nash equilibrium is unique and is not Pareto.



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## Power in International Relations: The Ability to Get What You Want

1. Hard Power: Economic and Military. “Carrots and Sticks”
2. Soft Power:
  - Appealing and seductive
  - Values that attract: Democracy. Human Rights. Individual Opportunities
  - Values that repel: Arrogance. Deception. Triumphalism.
3. Smart Power — the right combination of hard and soft

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# Getting What You Want

	Power	
	Hard	Soft
Instruments	<ul style="list-style-type: none"> <li>• Military Force</li> <li>• Economic Sanctions</li> <li>• Bribes</li> <li>• Financial Compensation</li> </ul>	<ul style="list-style-type: none"> <li>• Institutions</li> <li>• Values</li> <li>• Culture</li> </ul>
Results	<ul style="list-style-type: none"> <li>• Command</li> <li>• Coercion</li> </ul>	<ul style="list-style-type: none"> <li>• Attraction</li> <li>• Seduction</li> <li>• Co-option</li> </ul>

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# Supply and Demand

World order is a commodity.

1. Narratives of power and history. Supply
2. Narratives of need. Demand
3. Externalities. Spillovers. Global Public Goods

# A Rational World Order — The Ramsey Problem

“Design world order for good”

1. Globalized, inter-connected world economy  $\mathcal{J}$
2. Global Public Goods  $G$ . Externalities  $\mathcal{X}$
3. Maximize world well-being  $U$  by allocating consumption  $C$  across the world, subject to
  - 3.1 Inter-connections  $\mathcal{J}$ ; and
  - 3.2 Resource constraints  $\mathcal{R}$ ; while
  - 3.3 Internalizing externalities  $\mathcal{X}$ , to serve up Global Public Goods  $G$ .

In other words, solve:

$$\text{Program } \mathfrak{M} \begin{cases} \max_{C, G} U(C, G) \\ \text{s.t. } \mathcal{J}, \mathcal{R}, \text{ and } \mathcal{X}. \end{cases}$$

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## Concepts to remember and use

1. Enlightened collective action
2. The margin between public and private actions
3. Demand and supply
4. A Rational World Order via Ramsey