

Human security, human nature and trust building in negotiation

John Borrie

Economics plays an important role in all of our lives. It's a paradox then, that so many of its basic assumptions are flawed or poorly understood. Governments and central bankers work policy levers based on aggregated data and statistics collected across entire countries or regions of the world that are usually well out of date, and without certainty they will have the hoped-for effect. Pundits and business people talk without pause about "market equilibrium" – to argue, for instance, over whether government intervention in an economy is justified – when empirical evidence for such equilibriums is spotty at best. And, economists so rarely agree on their prescriptions that George Bernard Shaw commented, "If all economists were laid end to end, they would not reach a conclusion."

At the microeconomic level, things aren't much better. Since Adam Smith's time, a central tenet of economics has been that human beings are utility maximizers; that is, people can be counted on to act rationally in their own best interests. These days, however, economists more commonly couch their models and theories in terms of 'bounded rationality', recognizing that the availability of information and human capacity for rational decision-making are far less than perfect. The economist John Maynard Keynes himself observed in the 1930s that, "a large proportion of our positive activities depend on spontaneous optimism rather than on mathematical expectation".

Let's take a simple example of how our individual behaviour departs from that of the classical model of people as utility maximizers. It's called the Ultimatum Game, and it plays out as follows. You and I are put in a room together, and we're told that you will be given \$100 to split between us. You can split the \$100 in any manner you choose – 50/50, 60/40 or even 99/1 in your favour. You and I will both get to keep our respective share of the split you've chosen.

There's a catch, though. If I refuse your choice of split, we both walk away with nothing. Nada. What will you do? Odds are, you'll decide what most people do: split the money 50/50 or thereabouts. The thing is, this isn't economically rational! Your optimum, as money-splitter, is to be \$99 better off.

In experiments in which this game has been played, money-splitters (or 'proposers') were asked why they chose not to maximize their utility at the expense of the receiver. They usually said they thought the receiver would reject a low offer. And, when interviewed separately, receivers confirmed this: they'd rather reject a low offer and walk away with no cash than allow an "unfair deal". In traditional economic terms, though, the receiver should be happy with an offer as low as \$1, because even that's an absolute gain in utility.

James Surowiecki, author of *The Wisdom of Crowds*, has reviewed this phenomenon nicely. He said: "People would rather have nothing than let their "partners" walk away with too much of the loot. They will give up free money to punish what they perceive as greedy or selfish behaviour. And the interesting thing is that the proposers anticipate this – presumably because they would act in the same way if they were in the responder's shoes... this is a long way from the "rational man" picture of human behaviour."

I'll bet that you, dear reader, didn't need more than half-a-second to make your decision on how to split the \$100 in the Ultimatum Game. Getting to the bottom of intuitions like yours has led to some unusual collaboration between scientists and economists, which I'll describe in a moment.

The Ultimatum Game demonstrates in a simple way that intuitions can diverge from rational calculation. This can't be explained away in terms of cultural or political difference. The evidence is that these kinds of intuition are hardwired into all human beings, and other species of animal besides.

Such intuitions aren't a bad thing. But they're not infallible, and it's important that decision makers in demanding contexts like multilateral arms control negotiations (a focus of my work)

are aware of this. Having access to better rational tools to test their intuitions would certainly help. The cost-benefit calculations in multilateral processes are far more socially and technically complex than the straight splits we have a knack for instinctively – like how to divvy up a hundred bucks.

This is where the natural sciences and new disciplines that combine their perspectives with economics and other social sciences could come in useful. By uncovering the empirical underpinnings for some aspects of human behaviour that aren't learned, or which aren't obvious to our constrained perceptions, they can help multilateral negotiators recognize and compare their intuitions with their human capacity for rationality.

Neuroeconomics is one of these new fields. Recently, for example, neuroeconomic researchers at the University of Zurich demonstrated that a biochemical compound secreted by the brain called oxytocin plays a role in building trust between people in social exchange situations designed to mimic negotiations. Previously scientists knew that oxytocin was generated during activities like breastfeeding and lovemaking: the compound's clear effect on human perceptions and behaviour during an investment game (as a result of some participants squirting oxytocin up their noses) was a bombshell. Who knew that a tendency to increase trust and cooperate could be triggered by biochemicals? Least of all diplomats themselves, beyond "the smell of the room" many of them sense in a negotiation.

Neuroeconomists have become loosely allied with a broader multidisciplinary approach described as behavioural economics. It has stemmed from the awareness that, as ape behaviour expert Frans de Waal observed, "Humans and other animals share a heritage of economic tendencies – including cooperation, repayment of favours and resentment at being short changed."

This is a salutary reminder for multilateral diplomats. Successful diplomacy is a knife-edge balance between intuitive savvy and rational calculation. It's easy to confuse one with the other. If multilateral negotiations are to become more effective – and they need to if the appalling

record of disarmament and arms control diplomacy over the last decade is any guide – they'll need to be open to new approaches from unorthodox quarters.

The project I lead at the United Nations Institute for Disarmament Research (UNIDIR), funded by the governments of Norway and the Netherlands, is trying to translate new findings like these into practical insights for multilateral negotiators. It's called Disarmament as humanitarian action: making multilateral negotiations work (DHA). Central to the project's approach is that multilateral disarmament be seen from the referent point of the security of the individual human being, as well as the traditional focus on the nation state. "Humanitarian" needs to encompass what it means in specific perceptual terms to be human in outlook and behaviour if we are to successfully alleviate the complex and almost intractable security problems of so many communities around the world torn apart by conflict.

On Friday 25 May, for instance, we and our partner organization, Geneva Forum, invited around 25 invited disarmament diplomats at both ambassador and working level, experts from United Nations agencies and the International Committee of the Red Cross (ICRC), researchers, civil society representatives for a one-day symposium on the themes of "Human security, 'human nature' and trust building in negotiations". Our speakers included Frans de Waal (mentioned earlier), the economist Paul Seabright, and Robin Coupland, the ICRC's adviser on armed violence and the effects of weapons and a former war surgeon.

Director of the DDMI, Nick Wheeler, also participated, and I'm sure he'll write in more detail about aspects of the symposium on this blog. Overall, the meeting introduced new perspectives about trust building to multilateral practitioners that, judging from the feedback we've received subsequently, helpfully challenged them to think about why they do what they do.

The point is that if economics – that "dismal science", in the infamous words of Victorian historian Thomas Carlyle – can sharpen it's appreciation of human behaviour and decision making by drawing on the natural sciences, so too can diplomats. The 25 May symposium, part of our Disarmament Insight initiative, helped a group of multilateral practitioners realize that,

instead of being arcane and irrelevant, findings from scientific and economic disciplines go right to the heart of negotiating and can help them to reframe approaches to their work. In the face of today's multilateral security challenges, that new realization isn't a moment too soon.

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References

J.M Keynes, *The General Theory of Employment, Interest and Money*, London: Macmillan, 1936, p. 161.

The Ultimatum Game was originally carried out by economist Vernon L. Smith, later reported in "Constructivist and Ecological Rationality in Economics", *American Economic Review*, 2003: 93, pp. 465-508. Smith and others have also varied the rules of the game (for instance, to devise the so-called 'Dictator Game', in which the proposer imposes their split with no option for the receiver to reject it) and the findings remain consistent with the Ultimatum Game's results. There have also been comparisons of how the game is played in different countries.

J. Surowiecki, *The Wisdom of Crowds: Why the Many are Smarter than the Few*, London: 2004: Abacus, pp. 139-140.

M. Kosfield, M. Heinrichs, P. Zak, U. Fischbacher & E. Fehr, "Oxytocin increases trust in humans", *Nature*, vol. 435, June 2005, pp. 673-676.

F. de Waal, "How Animals Do Business", *Scientific American*, vol. 292: no. 4, April 2005, pp. 54-61, p. 54.

Thomas Carlyle, a historian in Victorian Britain used the phrase "dismal science" to describe economics in his 1849 tract entitled "Occasional Discourse on the Nigger Question", in which he argued for the reintroduction of slavery as a means to regulate the labour market in the West Indies. Carlyle was being deliberately paradoxical: he was pointing out that the laws of economic supply and demand had actually made many liberated slaves worse off economically than they had been under slavery. Predictably, John Stuart Mill and many economists attacked Carlyle's analysis.

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