

The Concise Encyclopedia of Economics

Term → Prisoners' Dilemma

- ① it is the best-known game of strategy in social science.
- ② it helps us understand what governs the balance between cooperation and competition.
- ③ in the game each can improve his own position by maximizing self-interest (i.e., confess / competitive low price strategy)
↳ this is considered the dominant strategy for both players
- ④ the dominant strategy results in an outcome that is worse for both than when both cooperate (silent / high price strategy)
- ⑤ the dilemma demonstrates that there is a powerful incentive to compete
- ⑥ individuals pursue their own game by constantly strategizing against the other, which is driven by self-interest
- ⑦ cooperation creates unpredictability
- ⑧ competition creates stability & order