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WHEN AND WHY THE WEAK BEAT THE STRONG:
PROSPECT THEORY AND INTERNATIONAL NEGOTIATION

by

Raquel Nikolette Garbers, B.A. (Hons.)

A thesis submitted to
the Faculty of Graduate Studies and Research
in partial fulfilment of
the requirements for the degree of
Master of Arts

Department of International Affairs

Carleton University

Ottawa, Ontario

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Maureen Appel Molot, Director
The Norman Paterson School
of International Affairs

Professor B. Tomlin, Supervisor

Abstract

This paper considers whether prospect theory can provide a theoretical foundation for the descriptive analysis of asymmetrical negotiations wherein the weak beat the strong. Results indicate both that prospect theory can provide a theoretical foundation for the descriptive analysis of concessionary behaviour and that the nature of the issue at stake in a negotiation does not affect the explanatory power of prospect theory-based hypotheses. Finally, the most intriguing finding concerns the circumstance that "the weak prevail while the strong concede" if the weak possess power of commitment while the strong possess "only" aggregate structural power.

Acknowledgements

First of all, I would like to express my deep gratitude and respect to my supervisor, Professor Brian Tomlin. Specifically, I would like to thank Professor Tomlin not only for the time and energy which he directed to my work but for his remarkable abilities both to spot weaknesses in my work and to bring those weaknesses to my attention with an unfailing sense of humour. There were many times throughout the last year when Professor Tomlin encouraged me through his personal example of academic excellence. I could not have completed this thesis without his dedication and inspiration, and I would therefore like to thank him, most of all, for his enabling me to do my best.

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Tactics are a function of behavioural power. Behavioural power is defined as the process by which actors manoeuvre to translate their resources into preferred outcomes. Tactics are intended to affect the issue-specific power balance by increasing an actor's alternatives and commitment to a preferred outcome while decreasing those of an opponent (Habeeb, 1988: 23). Tactics succeed when they are communicated in a way that alters each actor's gain/loss evaluations of proposed settlements, moves to affect alternatives and quality of alternatives in a way that promotes a tactician's preferred outcome.⁹

Throughout the negotiation process, there is a dynamic relationship between the structural and behavioural powers of each party. This causal dynamism is affected by and affects each actor's gain/loss evaluations on both the deployment of various power resources and the manner of deployment. In short, gain/loss evaluations are critical to each actor's willingness to deploy its resources in a way that induces preferred changes in the other's behaviour.

The complex interactions that affect gain/loss evaluations render the analysis of negotiated outcomes difficult. Since the paper contends that loss aversion can explain negotiations wherein "the weak prevail while the strong concede," the most useful cases to study are those with an aggregate structural disparity between the actors (i.e., cases of asymmetrical negotiation). For only those cases can allow for a descriptive analysis of the influence that gain/loss evaluations exact on decisions to concede by the strong.

employed by others.² Scholars and practitioners agree that "power" is the central analytical concept explaining concessionary behaviour- "the strong prevail while the weak concede."³ Translated into non-theoretical terms, this potentially tautological statement begs two questions: what is "negotiation power" and how may negotiators maximize their power? (Fisher, 1983) Perennial debate has been the predictable result of scholarly efforts to answer these questions, since both the definition of negotiation power and the concomitant prescriptions regarding the exercise of power vary according to the analytical perspective adopted (e.g., structural, strategic, process and behavioural). Efforts to establish which prescriptions best affect concessionary behaviour are therefore also at stake in the debate.

Effective prescription is based on an accurate description of negotiator behaviour (Raiffa, 1982). Scholars must therefore describe the decisional heuristics informing negotiator choice prior to debating the efficacy of each set of prescriptive principles (Neale and Bazerman, 1985: 46). Social psychologists have identified a number of decisional heuristics which bias choice among risky prospects in systematic ways (e.g., Kahneman and Tversky, 1979; Slovic and Lichtenstein, 1983). Negotiation scholars have not yet incorporated these insights into their analytical models nor have they adjusted their prescriptive advice to account for the manner in which practitioners actually make decisions in the high risk negotiation context (Neale and Bazerman, 1985: 35). This study responds to the need for a descriptive analysis of negotiator choice by investigating the effects of decisional heuristics on concessionary behaviour.

The paper draws on a psychological model of choice premised on loss aversion. The intent is to describe the effects of diverse frames on choice among risky prospects. The paper investigates the proposition that the manner in which decision-makers frame the choice problem is critically important to their assessment of the gains and losses which they anticipate will follow from concessions. Contrary to the expected utility model, it is argued that decision-makers opt for concession neither to realize gain nor because they are unable to secure gain in the absence of a negotiated settlement. Rather, they choose to concede for the purpose of avoiding loss (Stein, 1992: 222; Neale and Bazerman, 1985: 45). The paper thus contends that loss aversion can explain asymmetrical negotiations wherein the "weak prevail while the strong concede."

Asymmetrical Negotiation and a Definition of Power

Negotiation has played a significant role in inter-state relations for centuries, yet scholars have virtually ignored the task of formulating a theory of asymmetrical negotiation, negotiation in which the aggregate structural power of the parties is unequal.⁴ The paucity of research is all the more striking given that

[it] seems reasonable to conclude on a priori grounds that perfectly symmetrical bargaining will seldom occur in the real world... Situations that approximate perfectly asymmetrical bargaining, on the other hand, are probably more likely to occur in reality (Young, quoted in Habeeb, 1988: 2).

Past scholarly neglect of asymmetrical negotiation is largely attributable to the parentage of the negotiation analysis discipline. Emerging as an independent field of study in the post-war era, its theoretical constructs and *raison d'être* reflected mainstream preoccupation with Cold War politics. Concern with asymmetrical negotiation was considered of dubious importance so long as the study and practice of international relations (IR) emphasized bipolar symmetry (Habeeb, 1988: 2-3). Yet the end of the Cold War has ushered in an era of "asymmetrical multipolarity" characterized by potentially destabilizing interdependencies (Mearsheimer, 1990). It is thus a concern with symmetrical negotiation which may now be considered dubious.

Despite mainstream recognition that the study of asymmetrical relations is now critical, the theoretical literature on asymmetrical negotiation remains underdeveloped. Negotiation analysts are struggling to overcome their post-war adherence to the classical IR concept of power. According to the classical "power politics" argument, negotiation is worth studying only when there is symmetry in resources and capabilities. "In all other cases- those of asymmetrical power- the stronger state, by tautological definition, will win" (Habeeb, 1988: 2-3). In short, scholars must now develop a concept of power that is appropriate to the study of asymmetrical negotiation.

A survey of the literature reveals a lack of consensus on the definition of power (Zartman, 1989a: 31-43). Reflecting the complexity of the concept, each of the approaches to negotiation analysis responds to the limitations of the others by

concentrating attention on a particular element of power.⁵ The unfortunate result of these efforts has been a tendency to concentrate on one of the essential components of power at the expense of developing a more comprehensive definition. Each of the exclusive perspectives bears the name of that concept of power with which it is preoccupied. Yet a negotiated outcome is not only a reflection of **structural** resources, **strategic** choice, movement throughout the **process** or actor **behaviour**. It is all of these things and a good deal more.

At the opposite end of the spectrum, efforts to produce an all-encompassing definition of power have tended to sacrifice analytical rigour by failing to identify the components of power. For example, power is often defined as a possession- something that one actor "has" and another does not. While this conceptualization may be relevant to the analysis of negotiations wherein a superordinate authority regulates resources and capabilities, it cannot explain negotiations between sovereign states given that the allocation process is itself a result of power relationships between those states (Habeeb, 1988: 14). Power is also sometimes defined as an ability- one actor's "ability" to induce changes in the behaviour of another. To conceptualize power in this way is to risk tautology: "if A has caused a change in B's behaviour, A obviously had the ability to do so" (Habeeb, 1988:13). Finally, all-encompassing definitions view power as a static concept even though explaining a negotiated outcome involves tracing a causal process.

Author of the only work specifically devoted to formulating a theory on asymmetrical negotiation, Mark Habeeb has grappled with the limitations of both

exclusive and all-encompassing definitions. Conceptualizing power as lying between its source (resources) and its result (outcome), he has defined it as

the way in which actor A uses its resources in a process with actor B so as to bring about changes that cause preferred outcomes in its relationship with B (Habeeb, 1988: 15).

Despite its multiple virtues, Habeeb's definition is inadequate. Power is not simply a result of the **way** that resources are used. Power is also a result of the **will** to use resources in a **way** that can induce preferred changes in the behaviour of an opponent. Power as **way** cannot exist in the absence of power as **will**. This is not to suggest that "where there is a will there is a way," for power as **will** cannot in itself serve as an adequate definition. It is mediated both by the **way** that an actor can use its resources and by the **way** that an opponent can and does use its resources. In the dynamic negotiation process, power results from the interplay of power as **way** with power as **will**.

Therefore, power is a **willingness** on the part of actor A to use its **resources** throughout a **process** with actor B in a **way** which brings about changes that **cause** preferred outcomes in its **relationship** with B. The potential limitation of this definition is its susceptibility to a post hoc statement that "if A used its resources, A obviously had the will to use its resources." To avoid the tautology, the definitional identity between the will to deploy resources and their deployment must be broken by using an independent measure of will. The fact that actors sometimes choose not to use their resources in a way that is capable of causing preferred changes in an opponent's behaviour implies that they evaluate that both gains and losses

accompany such use. It is the empirically based analysis of an actor's evaluation of these gains and losses which serves as the independent measure of will. Bolstered by this caveat, there are several reasons why this definition should prove useful to a descriptive analysis of asymmetrical negotiations.

First, this definition commands concern with the gain/loss evaluations that affect the will to use resources in a specific way. Gain/loss evaluations are critical to explaining asymmetrical negotiations wherein the "weak prevail while the strong concede" as they systematically bias decision-making on the deployment of resources.⁶ Second, it directs attention to the process of changing gain/loss evaluations by describing power as a causal process. Third, this definition is relational. It focuses on each actor's ability to cause preferred outcomes in its relationship with another actor by altering gain/loss evaluations. Finally, this definition permits a structural conception of power (resources) to exist alongside a behavioural conception (ability). As Habeeb notes,

[emphasizing] resources alone does not explain the movement which is the essence of the negotiation process. Similarly, emphasizing actor skill and ability does not place the negotiation in the context of the overall relationship of the actors, and focuses on isolated moves and tactics without looking at the sources of these moves or the underlying capability to perform certain tactics (Habeeb, 1988: 16).

Incorporating the structural and behavioural components of power, this definition allows for consideration of the dynamic environmental factors which underpin changing gain/loss evaluations. Susceptible to pragmatic abuse, however, generic references to structural and behavioural power are devoid of explanatory

power. The analytical rigour of this definition therefore requires clarification of these elements of power.

Structural power includes aggregate and issue-specific components. Aggregate structural power refers to total demographic, economic and military resources, "measuring" both a state's potential capabilities and its position in the international hierarchy.⁷ Specifying neither the scope nor domain of its determinants, it "...implies either highly fungible power resources or a single dominant issue-area" (Habeeb, 1988: 18). Yet expedients which function as power resources in one issue area may be utterly irrelevant in another (Wagner, 1988: 481). Concentration on aggregate structural power thus limits the explanatory power of structural perspectives (Zartman, 1989b).

Issue-specific structural power refers to an actors's resources, potential capabilities and relative position vis-a-vis another actor in terms of the mutual issue (Habeeb, 1988: 19). The paradigm of interdependence offers a framework for the analysis and "measurement" of an issue-specific power structure.⁸ Interdependence theorists analyze negotiated outcomes on the bases of both the sources of power each actor derives from the relationship and the dynamics of actor behaviour within the parameters of the relationship (e.g., Bacharach and Lawler, 1986). Interdependence defines a relationship of mutual dependence and "...asymmetry refers to the fact that one party needs the benefits derived from [the] relationship more than the other" (Wagner, 1988: 461). Asymmetrical dependence is a function of: i) the availability of the benefits at stake in the relationship from other parties

(i.e., alternatives); and ii) the commitment to (i.e., value or importance of) the benefits by each actor (Bacharach and Lawler, 1986: 167).

In view of the dynamic relationship between negotiating "inside" and affecting alternatives "outside," gain/loss evaluations of both negotiated outcomes and moves to affect alternatives are subject to variance (Lax and Sebenius, 1985: 164-165). Experimental evidence indicates that improved evaluations of alternatives will lessen the loss perceived to result from the absence of a negotiated settlement (Lax and Sebenius, 1985: 173). Despite an aggregate power structure favouring an opponent, the ability to affect alternatives- and evaluations of them- may empower an actor.

It is possible that a lack of positively valued alternatives will increase an actor's commitment. Asymmetrical commitment is assumed to weaken the actor whose commitment is greater (Wagner, 1988: 462). Yet greater dedication to a preferred outcome may alter gain/loss evaluations of alternatives. What might have been a negatively valued alternative may be valued as positive relative to the greater loss perceived to flow from a negotiated settlement (Lax and Sebenius, 1985; Wagner, 1988). There is thus a dynamic relationship between alternatives and commitment.

The importance of the issue-specific power structure does not render aggregate structural power a meaningless concept. Issues arise not in a vacuum but within the context of the international system. Moreover, aggregate structural power describes an actor's total resources, resources that provide a foundation for tactics.

Tactics are a function of behavioural power. Behavioural power is defined as the process by which actors manoeuvre to translate their resources into preferred outcomes. Tactics are intended to affect the issue-specific power balance by increasing an actor's alternatives and commitment to a preferred outcome while decreasing those of an opponent (Habeeb, 1988: 23). Tactics succeed when they are communicated in a way that alters each actor's gain/loss evaluations of proposed settlements, moves to affect alternatives and quality of alternatives in a way that promotes a tactician's preferred outcome.⁹

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Methodology

Chapter two provides the theoretical foundation for the descriptive analysis of asymmetrical negotiations presented in this essay. The chapter is concerned with the following two questions: i) how does prospect theory explain the decisional process which attends choice under conditions of risk?; and ii) can prospect theory shed light on the decisional process informing gain/loss evaluations of concessionary behaviour? The literatures used to answer these questions are those dealing with prospect theory, behavioural decision theory and negotiation analysis. Particular attention is accorded to the intersections among the literatures, although there are no works which explicitly integrate the three.

The purposes of the chapter are four-fold. The first purpose is to briefly summarize the dominant model of choice under conditions of risk, expected utility theory (EUT), as well as to outline EUT's conceptualization of risky choice. The second purpose is to review the experimental research exposing empirical anomalies in EUT predictions of risky choice while describing how prospect theory accounts for those anomalies. This section outlines the methodological approach adopted by the founders of prospect theory, Daniel Kahneman and Amos Tversky, provides examples of their experiments, supplies their data and critically assesses their findings. Their results indicate that people tend to: i) evaluate choice outcomes in terms of deviations from a reference point rather than in terms of net asset levels; ii) overvalue losses relative to both comparable gains and foregone gains; iii) take excessive risks to avoid even small losses yet are overly cautious when considering

risks to secure gains; and iv) overweight both certain outcomes relative to probable ones and low probability outcomes relative to other outcomes.

The third purpose of chapter two is to outline the limitations attending the transference of prospect theory from the laboratory to cases of international negotiation. These limitations include: i) the presence of extraneous variables and the fluctuation of both probabilities and measures of equivalence in the negotiation context; ii) the theory's lack of a model of framing; and iii) the difficulty of subjecting decisional heuristics to formal analysis. The final purpose of the chapter is to critically investigate whether prospect theory can shed light on those negotiator biases which have been identified as influencing concessionary behaviour. These biases include the tendencies to: i) perceive actors as unitary; ii) portray opponents in terms of stereotyped images; iii) adopt fixed-pie orientations; iv) follow certain norms of "fairness"; v) fall victim to "sunk-cost" escalation dynamics; and vi) refuse "fair" concession exchanges (Bazerman, 1983; Larson, 1988; Bazerman and Sondak, 1988).

Chapter three applies the theoretical insights developed in chapter two to three cases of asymmetrical negotiations wherein "the weak prevailed while the strong conceded." One case has been selected from each of the three issues that constitute important areas of international negotiation- trade, the environment and security. The rationale informing this selection is the supposition that the characteristics defining each type of negotiation, including issue area, "...have a direct bearing on the behaviour of all participants" (Raiffa, 1992: 24). The purpose is to

determine whether prospect theory's explanatory power on concession making is consistent across issue areas. In addition to the literatures utilized in chapter two, this chapter draws both on scholarly articles and the relevant Pew Case Studies distributed by Georgetown University's Institute for the Study of Diplomacy. The following is a brief introduction to the cases analyzed in chapter three.

The Brazilian Informatics Dispute

September 7 is Independence Day in Brazil. In 1985, U.S. President Reagan chose this date to announce a U.S. Trade Representative (USTR) 301 investigation of Brazilian informatics technology (IT) policy.¹⁰ Enshrined in the 1984 Informatics Law, the policy restricted imports and investment in certain sectors of the computer industry. For Brazil, the IT policy was not simply a trade issue. Rather, it represented a nation-wide ideological convergence holding that independent IT capability was an issue of national pride, economic development and security.¹¹ In other words, it was not an abstract ideal; it was a concrete necessity. Similarly, the 301 was not simply a U.S. response to an IT trade issue. Instead, it reflected the needs both to address the domestic distress caused by an abysmal trade balance and to prioritize the individual interests of the U.S. economy while appearing to promote the "collective good" of free trade by allowing the administration to selectively decide when and where to promote the "collective good."¹² That is, it reflected the concerns of a declining hegemon whose President was under domestic assault. Throughout 21 months of intermittent negotiations, Reagan continually threatened

that sanctions against Brazilian exports would be the cost of a failure to concede, yet Brazil never meaningfully complied and the United States repeatedly revoked the threat. In essence, "the weak prevailed while the strong conceded."

The dispute highlights that although devoid of both aggregate structural power and the issue-specific power associated with an availability of alternatives (i.e., alternatives to U.S. participation in the Brazilian economy), Brazil augmented the issue-specific power associated with commitment through the medium of behavioural power. Specifically, Brazilian tactics altered the range of IT actors and issues and, thereby, altered U.S. gain/loss evaluations on retaliatory sanctions. Brazilian manoeuvres thereby offset both the United States' aggregate structural power and the issue-specific power associated with its alternatives (i.e., non-participation in the Brazilian economy) by depriving the U.S. of the issue-specific power associated with commitment. That is, it deprived the U.S. of the commitment that might otherwise have informed a willingness to deploy its structural resources in a way capable of causing a preferred outcome in Brazil's IT policy.

The Canada-U.S. Acid Rain Dispute

The Canada-U.S. acid rain dispute was marked not only by asymmetry in the aggregate structural power between the two countries but by the asymmetrical distribution of both the sources and effects of acid rain, and the consequent costs/benefits of acid rain controls.¹³ Most generally, the U.S. produced acid rain while Canada suffered the consequences. The U.S. would thus bear a

disproportionate share of the costs associated with acid deposition controls while Canada would reap a disproportionate share of the benefits.¹⁴ For Canada, the environmental and economic damages occasioned by acid rain conjoined with a number of intangible considerations to affect a nation-wide consensus favouring the imposition of controls.¹⁵ For the U.S., the asymmetrical distribution of the costs and benefits of controls both between the U.S. and Canada, and most importantly within the U.S., occasioned an intra-U.S. stalemate respecting the imposition of controls.¹⁶ Bolstered both by a President committed to inaction and by strategically located Congressional supporters, the anti-control forces held sway from 1980-1988.¹⁷ After more than 8 years of applying pressure, Canada finally succeeded in realizing a 1989 Canada-U.S. Air Quality Agreement. That is, after more than 8 years of applying pressure, the "weak prevailed while the strong conceded."

The acid rain dispute highlights those same power considerations attending the Brazilian informatics dispute. Once again, a country devoid of both aggregate structural power and the issue-specific power associated with alternatives, in this case alternatives to American pollution controls, augmented the issue-specific power associated with commitment through the medium of behavioural power. Specifically, Canadian tactics altered U.S. gain/loss evaluations concerning the costs/benefits of acid rain controls through affecting a high degree of commitment to controls on the part of those U.S. citizens whose states suffered acid rain damages. The power of commitment evinced by these citizens then invigorated a value dimension concerning controls at the Congressional and Presidential levels. Canadian manoeuvres thereby

offset both the United States' aggregate structural power and the issue-specific power associated with its alternative. U.S. inaction, by depriving the U.S. of the issue-specific power associated with commitment. That is, Canada deprived the U.S. of the commitment that might otherwise have informed an ongoing willingness to rely on its structural powers as a means by which to ensure its preferred outcome of U.S. inaction.

The 1972 Simla Agreement

The July 1972 Simla negotiations sought to restore peace between India and Pakistan.¹⁸ Both the states themselves and the issues informing their conflict had originated with the 1947 division of British India. Most important, division on the basis of religion and secularism placed the two nations on a collision course for the domestic stability of each necessitated repudiating the ideological threat posed by the existence of the other (Ganguly, 1986: 101). Manifested in a dispute concerning the fate of Kashmir, ideological incompatibility had thrice erupted into military conflict from 1947-1971.¹⁹ The 1971 war erupted when muslim Pakistan's civil strife spilled over into secular India and, thereby, threatened the latter with domestic instability while subsequently affording it the opportunity both to establish regional primacy and settle Kashmir.

Reflecting the war's outcome, negotiations at Simla were blatantly asymmetrical. India was empowered by its stable domestic climate, control over Pakistani western territory and prisoners of war (POWs), loyalty from Pakistan's

former eastern half (i.e., Bangladesh), and backing from the Soviet Union. Conversely, Pakistan was crippled by its fragile economic and political environments, loss of territory and POWs, dismemberment by India, and virtual abandonment by the United States and China.²⁰ Yet despite the asymmetry, Simla concluded with Pakistan refusing all of India's demands while India conceded to return Pakistan's western territory and, eventually, POWs. That is, Simla concluded with "the weak prevailing while the strong conceded."

Power considerations at Simla reflected those attending the informatics and acid rain disputes. Once again, the weak possessed neither aggregate structural power nor the issue-specific power associated with alternatives (i.e., alternatives to bilateral negotiation for either securing the western territory and POWs held by India, or for contending Indian regional primacy). Yet once again the weak had prevailed by augmenting the issue-specific power associated with commitment through the medium of behavioural power. Specifically, Pakistani tactics affected the issues and actors influencing negotiations at Simla and, thereby, altered India's gain/loss evaluations respecting both the establishment of Indian primacy and a consequent settlement on Kashmir. Pakistani tactics thus offset both India's aggregate structural power and its issue-specific power respecting alternatives (i.e., "settlement" via coercion) by depriving India of the issue-specific power associated with commitment. That is, it deprived India of the willingness to deploy its aggregate structural resources in a way capable of realizing its preferred outcomes respecting Indian primacy and Kashmir.

The three cases summarized above are analyzed in chapter three, using the theoretical formulation presented in chapter two. Finally, chapter four summarizes the findings from the descriptive analyses undertaken in chapter three, and offers both some "asymmetrically prescriptive/descriptive" statements (Raiffa, 1992: 21) and some observations respecting whether prospect theory can provide a theoretical foundation for the descriptive analysis of concessionary behaviour. In other words, the paper is focused on studying and understanding the effects of loss aversion on decisional processes informing concessionary behaviour while the conclusion offers some observations on how an actor may use that knowledge in order to achieve a preferred outcome. The relevant sub-section is thus "...prescriptive from the vantage point of one party and descriptive from the points of view of the competing parties" (Raiffa, 1992: 21).

The paper now proceeds, in chapter two, to provide the necessary theoretical foundation for the analysis of three case studies of asymmetrical negotiation.

Endnotes

1. Howard Raiffa has explained the different analytical techniques and goals of descriptive and prescriptive research. He states that describers examine how real people actually think, analyze risky choice, rationalize their choice to themselves, and behave. Conversely, prescribers are interested in how people should or ought to behave so as to advise the decision-maker in choosing an action that is consonant with her/his "true" beliefs and values. "The prescribers perform analysis to help in the selection of a choice to be made; the describers perform analysis to help understand the selection of a choice that has been made" (Raiffa, 1992: 20). (For considerations on the diverse research balances and purposive relationships between the two forms of analysis, see: Raiffa, 1982).
2. The value over which actors negotiate may be perceived as either fixed or susceptible to value creation tactics (Fisher, 1983). When it is the former, actors negotiate over the distribution of the value, each seeking to maximize their share. When it is the latter, negotiators simultaneously cooperate and compete. They cooperate to create value and compete to maximize their claim on that value. Lax and Sebenius have referred to the create/claim tension as the "Negotiator's Dilemma" (Lax and Sebenius, 1986).
3. Negotiation implies reciprocal power, for if only one party in a relationship possessed power then that side could achieve its preferred outcome unilaterally. The fact that parties enter into negotiations therefore implies they recognize that each is possessed of at least some power. The negotiation process reflects results from the interplay of the two sides' use of their power. Consequently, all approaches to negotiation analysis recognize that power is the central analytical concept explaining the concessionary behaviour which informs negotiated outcomes. The debate concerns the definition of power. (For an overview of this debate, see: Zartman, 1989a. For an application of these definitions to asymmetrical negotiations, see: Zartman, 1989b).
4. Although scholars have neglected the task of formulating a theory on asymmetrical negotiation, several case studies have been conducted. The difficulty lies in deriving generalizable propositions from case specific insights. Nevertheless, these studies provide an initial foundation for the task of theory building. (For an introduction to the more notable contributions made by certain studies, see: Habeeb, 1988: 6-9).
5. The lack of scholarly consensus on a definition of negotiation power stems both from the complexity of the concept and from the late emergence of the discipline. Due to the additional complexities introduced by conditions of interdependence and

multipolarity, constructing an appropriate definition for asymmetrical negotiations is particularly difficult. The following is a simplified overview of each of the dominant perspectives' definition and its attendant limitations:

A) Structural: The most commonplace approach, this school defines power as residing in an actor's resources, potential capabilities and generalized position in the international system. The definition is limited by its tautological and post hoc statement that "the strong win." To avoid the tautology, the definitional identity between winning and having the power to win must be broken by using an independent measure of power. Moreover, consideration is not given to the process through which resources, potential capabilities and position in the international hierarchy are translated into winning outcomes. Given these limitations, it is not surprising that structural analysis has been the target of many academic "attacks."

B) Strategic: This approach reduces negotiation to rational-choice behaviour. As portrayed in game theoretic matrices, the strategic approach begins with the assumption that the power of each actor is derived from their respective value and reward structures. Most game theoretic presentations assume symmetry, thus cancelling out power, or have no room for the exercise of power since values are assumed to be fixed. The problem with strategic analysis is its limited scope. Questions concerning how parties move toward a common solution lie outside of its analysis. It thus has little relevance for the dynamic process of negotiation wherein power has multiple sources and there are at least as many tactics as there are actors.

C) Process Analysis: This approach explains outcomes as the result of a series of action/reaction concessions that are provoked by some element inherent in each actor's position. The relevant element varies according to the particular version of the theory. The most common version is the concession/convergence approach which is plagued by the lack of a clear conception of power. It suggests merely that the party who can least afford to "hold out" will concede at the fastest rate. Moreover, such connotations of power as resource possession and tactical ability are absent in this approach. Process analysis approaches are thus of limited use in understanding negotiation as it is virtually impossible to inject a dynamic conception of power into their analyses. It is for this reason that the "neatness" of the approach works only in idealized situations.

D) Behavioural Analysis: One of the oldest approaches, behavioural analysis explains negotiated outcomes by focusing analysis on the negotiators' personalities either directly or in interaction. The main limitation of this definition is the difficulty of translating such knowledge into identifiable and non-tautological variables that can be used for analysis. Moreover, knowing an actor's disposition, motivations and needs illuminates but does not explain the process by which outcomes are caused. (For a concise overview of the diverse approaches to negotiation analysis, see: Zartman, 1989a. For a consideration on the limitations of these definitions, see: Habeeb, 1988).

6. In the negotiation context, pursuit of a preferred outcome involves making decisions concerning both whether and how to use resources. Gain/loss evaluations systematically bias decision-making and thereby affect the will to use resources in a particular way. For example, loss aversion implies that an actor will decide not to deploy its resources in a particular way when it is evaluated that the outcome of such use risks loss. Conversely, if it is determined that loss follows from a failure to deploy resources in a specific way, then the theory predicts that the actor will opt for such deployment. Gain/loss evaluations are critical to the weak prevailing in situations of asymmetry. When the strong evaluate that loss results from the use of its resources in a particular way, loss aversion will bias decision-making in favour of non-deployment. Such non-deployment allows the weak to prevail. (For a detailed examination of the affect wielded by loss aversion on decision making, see: Kahneman and Tversky, 1979).

7. A state's position in the international hierarchy is a function of its aggregate structural power. Ray Cline has developed a "calculus of national power" that measures, in imagery at least, a state's aggregate structural power: $P_p = (C+E+M) \times (S+W)$; P_p = perceived power, C = critical mass (population + territory), E = economic capability, M = military capability, S = strategic purpose, and W = will to pursue national strategy (Cline, quoted in Habeeb, 1988: 17).

8. The interdependence paradigm is particularly well suited for the analysis of negotiation relationships, since negotiation implies that neither party is able to achieve its preferred outcome unilaterally. Moreover, each party is "...dependent upon the other to the extent that each can unilaterally withhold agreement, prolong the process, or even end it" (Habeeb, 1988: 19). (For an examination of how interdependence can empower the party with the least aggregate structural power, see: Bacharach and Lawler, 1986).

9. Successful tactics do not necessarily affect the gain/loss evaluations of an opponent only. For instance, credible commitment to a position has also been identified as a source of power. By imposing losses on oneself for accepting an agreement which is inferior to the point in the bargaining range to which one has committed, the opponent faces a choice between accepting either that point or the greater loss of an even less valued alternative (Lax and Sebenius, 1985: 171). This tactic has the potential to "backfire," however, should it serve to set the escalation dynamic in motion (Jervis, 1994; Bazerman and Sondak, 1988).

10. Section 301 of the 1974 Trade Act allows the President to impose retaliatory penalties on nations whose trade practices are "unfair." Such practices do not necessarily have to be illegal; they have only to be "unreasonable," defined as "any act, policy or practice which while not necessarily in violation of or inconsistent with the international legal rights of the United States, is otherwise deemed to be "unfair" (Evans, 1989: 217).

11. A diverse set of forces converged to drive Brazil's nation-wide dedication to the IT policy. First, the modernization of Brazilian education had stimulated a dramatic growth in the scientific community throughout the 1960s (Frischtak, 1986: 33). By the 1970s, the inability to transform Brazilian prototypes into marketable products had metamorphosized that community into a group of frustrated *tecnicos* possessing strong personal and ideological interests in the establishment of a local IT sector (Evans, 1986: 792). Second, the 1970s modernization of the Brazilian bureaucracy had ignited an explosive public sector demand for IT products (Frischtak, 1986: 33). The consequent worrisome growth in import expenditures then conjoined with the frustration of continually modifying IT imports for Brazilian specific requirements to produce yet another professional group offering personal and ideological support for a local IT sector (Westman, 1985: 31-32). The third force behind the adoption of an IT policy concerned officials at the National Economic Development Bank (BNDE). In 1970, the BNDE attributed Brazil's underdevelopment to technological dependency while diagnosing that an independent IT sector would promote both economic growth and industrial self-sufficiency through generating a series of forward linkages in the economy (Eden, 1994: 2). Yet the BNDE's subsequent recommendation for the creation of a local IT sector was based on more than these considerations; "...it was driven by a vision of profound changes that would strengthen the entire nation" (Odell and Dibble, 1988a: 3). The BNDE thus joined with the *tecnicos* and bureaucrats as a professional group offering both personal and ideological support for local IT capability.

The final and determinative force driving the IT policy concerned the military. In short, the BNDE's diagnosis complemented the military's "security and development" ideology while its recommendation both appealed to expectation that Brazil was destined to become a world power and coincided with their recognition that military defense depends upon microprocessor technology (Adler, 1988: 64). Reflecting these conditions and providing the immediate catalyst for an IT policy, the Navy had recently chosen to develop its own on-board computers rather than purchase systems over which Brazil would have no independent technological command (Peritore, 1988: 29). Spurred into action both by the myriad actors supporting an IT policy and by the consideration that IT is a **strategic sector**, Brazil adopted a series of measures which eventually culminated in the October 1984 Informatics Law. (For a detailed analysis of the multiple actors, policies, and economic and political considerations which together both guided the complex evolution of the IT policy and oversaw its urgent formalization in October 1984, see: Ramamurti, 1985; Adler, 1986; Evans, 1986; Frischtak, 1986; Ramamurti, 1987; and Evans, 1989).

12. Although the U.S. had essentially ignored the creeping incrementalism of Brazil's IT policy throughout the 1974-1984 period, the formalization of the Informatics Law served to position Brazil directly in the eye of a gathering USTR storm. (For a discussion of the complex and numerous forces informing the United

States' sudden revulsion for the IT policy, see: Ramamurti, 1985; Odell and Dibble, 1988a; and Evans, 1989).

13. With respect to asymmetry in acid rain sources, more than 50% of Canadian acid deposition originates in the U.S. while only 15% of U.S. deposition originates in Canada (Golic and Young, 1992: 31). With respect to asymmetrical effects, Canada is far more vulnerable than the United States for two reasons. First, Canada is far more geologically vulnerable to acid deposition than the United States (Albin and Paulson, 1988: 112). Second, economic damage resulting from acid rain damage to waters and forests is more severe for Canada than for the United States given Canada's high dependence on resource-generated wealth. In the 1980s, Canadian wealth from resources included the following: i) sport fishing accounted for \$1.1 billion in direct income and \$10 billion in indirect income (Environment Canada Information Directorate, 1984, quoted in Golic and Young, 1992: 24); ii) tourism in Ontario alone accounted for over \$1 billion in annual revenues and 470,000 jobs (Peterson, 1982, quoted in Golic and Young, 1992: 24); and iii) forestry products accounted for \$15 billion in annual revenues in Eastern Canada alone and, nationally, provided approximately 10% of all jobs in Canada and supported some 3,000 one-industry communities (Wilcher, 1989: 24; Environment Canada Information Directorate, 1984, quoted in Golic and Young, 1992: 24).

14. Since precipitation is normally slightly acidic, the term "acid rain" is applied to precipitation which is more acidic than normal. The concept refers to a complex set of physical and chemical phenomena by which gases, particularly sulphur and nitrogen oxides, are emitted primarily as a result of combustion processes, transformed into acidic compounds while transported through the atmosphere, and then deposited on land and water surfaces by rain or snowfall. Since other environmentally hazardous substances are also emitted and transported long distances through the atmosphere, the term "long-range transport of air pollutants" (LRTAP) is also associated with acid rain (Munton, 1980-1981: 161; Munton and Castle, 1992: 367).

15. Alongside the environmental and economic consequences of acid rain damages, a Canadian consensus on the need for controls was occasioned by a number of additional considerations. First, the major Canadian sources of acid rain were located in those same provinces that were the major recipients of acid rain, Ontario and Quebec (Wilcher, 1989: 82). Second, the environmental damage caused by acid rain had its most deleterious effects in those provinces (Ontario and Quebec) where the population was concentrated, where most Canadians worked, or where most Canadians vacationed (Golic and Young, 1992: 45). Third, the acid damage suffered by the Muskoka and Haliburton regions inflamed Canadian sentiments since those regions

[serve] as the cultural hearth of Canada- the place where many Canadian artists, painters, and literary figures

brought forth their contributions to a uniquely Canadian culture (Carroll, 1991: 21).

Fourth, the environmental and economic damages associated with acid deposition conjoined with widespread public sentiment to deprive polluter interests of political support (Albin and Paulson, 1988: 116-130). Fifth, the consultative nature of government-industry relations and the fact that the major sources of acid rain were government affiliated together eased disputes over government reduction decisions (Wilcher, 1989: 80). Finally, the costs associated with acid deposition controls were significantly minimized by the opportunity to shift to nuclear power, an opportunity ironically afforded by the absence of stringent environmental laws (Munton, 1980-1981: 135).

16. The asymmetrical distribution of the costs and benefits associated with acid deposition controls engendered a Congressional stalemate arrayed predominantly along regional lines. Most generally, the major sources of acid rain were located in the midwest while the major recipients were located in the northeast. Economic interests for both the anti-control and pro-control coalitions exacerbated the geographical split occasioned by environmental interests.

With respect to the anti-control coalition, both industry representatives and the general populace had reasons to oppose controls in the polluting states. First, utilities argued that the cost of controls would result in rate increases capable of forcing many midwest industrial sectors out of business and engendering unemployment (Wilcher, 1989: 67; Golich and Young, 1992: 27). Second, coal-mining companies predicted that the cost of controls would yield exorbitant job losses in areas where the job market offers few alternatives to displaced miners and entire communities are dependent for their existence on the coal industry. Third, the auto industry and its "home state" Michigan feared that the cost of controls would affect the economic viability of both the industry and the state (Golic and Young, 1992: 28). In sum, the anti-control coalition included the following: coal-mining companies; electric power utilities using coal; coal-producer states; coal-user states; the United Mine Workers; mining communities; the auto industry; Michigan; and Congressional representatives associated with these anti-control members (Munton, 1980-1981: 174; Golich and Young, 1992: 27-28).

With respect to the pro-control coalition, its members were clustered in the northeast and supported controls for reasons similar to those which informed the Canadian consensus. First, the region is geologically similar to Canada and is, therefore, highly vulnerable to the environmental effects of acid deposition (Carroll, 1990: 20). Second, and again reflecting the situation in Canada, acid damage to the waters and forests of the region translated into economic losses in the tourism and recreational sectors (Golic and Young, 1992: 30). The pro-control coalition thus included the following: northeastern states; environmentalists; and Congressional representatives associated with these pro-control members (Wilcher, 1989: 82; Golich and Young, 1992: 54).

17. With the Reagan administration firmly committed to inaction on acid rain, the policy debate shifted to Congress (Albin and Paulson, 1988: 115). Within Congress, the pro-control coalition enjoyed the support of powerful allies, particularly Senators Stafford (R-VT) and Mitchell (D-Maine). Despite the fact that by 1987 Stafford chaired the Senate Environment and Public Works Committee while Mitchell chaired the Environment Pollution Subcommittee, the two were never able to push an acid rain bill beyond the committee stage due to anti-control Congressmen occupying powerful positions within the Congressional hierarchy. Specifically, Representative John Dingell (D-MI) used his post as chairman of the House Energy and Commerce Committee to undercut all acid rain control bills in his committee while Senator Robert Byrd (D-WVA), safeguarding the coal interests in his state, destroyed any possibility of acid rain legislation in his reign as Senate majority leader from 1977 to 1988 (Golich and Young, 1992: 29-31).

18. Bearing the name of the Indian location in which they transpired, both the negotiations and resultant accord are identified with reference to the Simla region.

19. The ideological origins of Indo-Pak conflict concerning Kashmir reflected the symbolic importance which each attached to it. In essence,

to both sides the symbolic value of incorporating Kashmir into its domain was enormous because, to Pakistan, Kashmir represented a clear irredentist claim on the basis of its Muslim population. By the same token, Pakistan's claim evoked a powerful anti-irredentist impulse in India, which had to demonstrate that, regardless of faith, minorities could live in a secular state (Ganguly, 1986: 101).

The strength of those symbolic considerations which had informed the origins of Indo-Pak conflict over Kashmir was given further impetus by developments from 1947-1971, developments heightening the commitment of each to its preferred outcome. In brief, India considered control of Kashmir strategically important while Pakistan considered such control strategically, culturally and economically imperative. (For a description of Kashmir's evolving importance to each country from 1947-1971, see: Mustafa, 1972).

In addition to the multiple concerns each country attached to Kashmir, repeated military conflict was attributable both to the historical evolution of the dispute and to the influence exerted by regional and international actors. (For a detailed review of these considerations, see: Mustafa, 1972).

20. The asymmetry informing negotiations at Simla variously reflected the domestic environments in each country, the immediate consequences of war, and the vagaries of Cold War politics. With respect to domestic environments, Indian leader Indira

Ghandi was empowered both by a non-jingoistic euphoria respecting Indian nationhood and by her concomitant personal prestige (Bokhari and Thornton, 1988: 9). By contrast, Pakistani leader Zulfikar Ali Bhutto represented a nation that was demoralized by its military defeat and dismemberment, suffering outbursts of violence in response to its economic turmoil, and riven apart by active fissures along provincial, linguistic and cultural boundaries (Roy, 1972: 54).

In terms of asymmetry concerning the immediate consequences of war, India controlled more than 5,000 miles of Pakistani territory and had taken 91,498 POWs while Pakistan had captured only 121 miles of Indian territory and 617 POWs (Bokhari and Thornton, 1988: 5). Moreover, the creation of Bangladesh demolished Pakistani ambitions for parity of power and status with India both because Pakistan was reduced to the position of third largest country in the subcontinent and because Indian aid in creating Bangladesh had resulted in highly cordial relations between the two countries while the latter remained embittered toward Pakistan (Gupta, 1972: 127-128).

The final source of asymmetry at Simla concerned Cold War politics. Most generally, the 1971 Soviet-Indo Treaty of Peace, Friendship and Cooperation endowed India with superpower security support and deprived Pakistan of similar support from either China or the United States. (For a concise elaboration on how the vagaries of Cold War politics played themselves out respecting the 1971 Indo-Pak war, see: Ganguly, 1986: 123-126).

Chapter Two

This chapter provides the theoretical foundation for a prospect theory based analysis of three case studies concerning asymmetrical negotiation. Toward that end, the chapter is composed of three sub-sections. The first section provides a brief explanation of expected utility theory (EUT) axioms on decision-making under risk. Section two describes how prospect theory accounts for systematic deviations from those axioms. Section three has two purposes: i) hypothesizing how the effects of risky choice may influence both risk propensities and choice in the negotiation context; and ii) describing relationships between risky choice effects and several behavioural tendencies identified in the negotiation literature and, on the basis of that description, hypothesizing how prospect theory may influence negotiator behaviour.

Expected Utility Theory

Decision-making under risk comprises the processes of evaluating and choosing between prospects, prospects that risk both costs and benefits (Kahneman and Tversky, 1979: 263). Scholarly analysis of these processes has been dominated by expected utility theory. The popularity of the theory stems primarily from its general acceptance as a normative model of rational choice (Kahneman and Tversky, 1979: 263). Although the definition of rationality is much debated, there is general agreement that rational choices should satisfy some elementary requirements of

consistency and coherence. EUT explanations and predictions of risky choice are therefore based on a set of axioms which provide the criteria for rationality.¹

Coincident with its axioms, EUT's explanation of the decision-making process proceeds from the assumption that rational human beings will always attempt to maximize gains when confronted with a risky choice (Card, 1993: 11). Since each prospect entails both costs and benefits, EUT assumes that decision-makers arrive at their choice by

weighting the utility of each possible outcome of a given course of action [by its probability], summing over all possible outcomes for each strategy, and selecting that strategy with the highest expected utility (Levy, 1993: 1).

The theory predicts that since the utility of an outcome is its final state,

[an] actor's attitude or orientation toward risk is defined in terms of marginal utility or the shape of her utility function. An actor is risk-averse if her utility function is concave, risk-neutral if her utility function is linear, and risk-acceptant if her utility function is convex (Stein, 1992: fn.7, 203-204).

In short, the expected utility model assumes that an actor will evaluate risky prospects by aggregating the probability, and gains and losses, of each prospect into a single utility function. The theory predicts that an actor will choose the prospect whose final state yields the highest expected utility.² EUT thus posits that the pursuit of gain is the criterion informing decision-making under risk.

Decision-making behaviour, however, systematically deviates from EUT axioms on risky choice. The following section describes how prospect theory accounts for those deviations.

Prospect Theory

Based on results from several classes of choice problems, Kahneman and Tversky traced systematic violations of EUT axioms on risky choice to the psychological principles that govern both the framing of choice problems and the consequent evaluation of options. A **choice problem** is defined by the acts among which an actor must choose, the possible outcomes of those acts, and the contingencies that relate acts to outcomes. **Framing** refers to an actor's conceptualization of the acts, outcomes, and contingencies that are associated with a particular choice (Tversky and Kahneman, 1981: 453). Contrary to EUT axioms, the researchers were systematically able to induce preference reversals on choice problems yielding the same objective consequences. The inconsistent responses were attributed to the conjunction of diverse choice problem frames with contradictory attitudes toward gains and losses (see Appendix A, #1 for data). Kahneman and Tversky systematized the results of their laboratory experiments in prospect theory.

Prospect theory identifies two phases in the decision-making process, editing and evaluation. Consisting of several cognitive operations which together reframe the outcomes and probabilities associated with each prospect, editing functions to simplify the subsequent phase of evaluation and choice.³ A key editing operation concerns the coding of outcomes as gains and losses. These gains and losses are defined relative to a reference outcome (**reference point**) that is judged neutral. Although the reference point generally corresponds to an actor's current asset position, its location and the consequent coding of outcomes can be affected both by

the external formulation of the choice problem and by the personal predilections of the decision-maker (Kahneman and Tversky, 1979: 274). Investigation of the coding operation indicated that the carriers of utility are changes in wealth (i.e., gains and losses) not, as EUT posits, final states (Kahneman and Tversky, 1979: 273).

In addition to contradicting the EUT assumption that final asset levels are the carriers of utility, editing operations explain systematic deviations from the EUT prediction that actors will choose the prospect whose final state yields the highest expected utility. Specifically, this form of mental accounting can lead to inconsistent preferences over objectively equivalent outcomes since the same choice problem can be framed and coded in relation to different points of reference (Slovic and Lichtenstein, 1985: 600).

Following the editing phase, decision-makers are assumed to evaluate each of the edited prospects and to choose the prospect of highest value. The overall value of an edited prospect, V , is expressed in terms of two scales; the value scale, v , and the decision weight scale, π (Kahneman and Tversky, 1979: 275). The properties of each scale have important effects on decision-making under risk.

The value scale, v , assigns to each outcome x a number $v(x)$, which reflects the subjective value of any amount that can be gained or lost. Since outcomes are evaluated relative to a neutral reference point, the reference point serves as the zero point of the v scale. Hence, v measures the value of deviations (gains and losses) from the reference point (Kahneman and Tversky, 1979: 275). The properties of the function give rise to an asymmetric S-shaped v scale, concave above the reference

point and convex below it (Figure #1: see p.32). The function is: i) defined on deviations from a neutral reference point; ii) generally concave for gains and convex for losses; and iii) steeper for losses than for gains (Tversky and Kahneman, 1991: 1040).

i) Reference Dependence

The term "**reference dependence**" is intended to indicate that prospects are evaluated not in terms of final states, as EUT posits, but as positive or negative deviations from a neutral reference point (see Appendix A, #2 for data).⁴

ii) Diminishing Sensitivity

The term "**diminishing sensitivity**" is intended to indicate that the value function for changes in wealth is normally both concave above the reference point and convex below it (see Appendix A, #3 for data). Hence, the marginal value of both gains and losses normally decreases with their magnitude.⁵ Contrary to the EUT assumption that risk propensities are a function of final states, prospect theory maintains that this shape of the value function causes risk propensities to vary according to whether outcomes are evaluated as gains or losses from a neutral reference point.

Risk-aversion in the domain of gains follows from the assumptions that the value function for gains is concave and that each additional unit of gain therefore causes a smaller change in value than the preceding unit of gain.⁶ This shape of the value function is assumed to favour risk-aversion in the domain of gains. That is, a sure gain is preferred to a gamble (Kahneman and Tversky, 1982: 162).

**PROSPECT THEORY:
THE VALUE FUNCTION AND THE PROBABILITY-WEIGHTING FUNCTION**

Figure #1: A hypothetical value function

(Reprinted from Kahneman and Tversky, 1979: 279)

Figure #2: A hypothetical value function

(Reprinted from Kahneman and Tversky, 1979: 283)

Risk-seeking in the domain of losses follows from the assumptions that the value function for losses is convex and that each additional unit of loss therefore causes a smaller change in value than the preceding unit of loss.⁷ This shape of the value function is assumed to favour risk-seeking in the domain of losses. That is, a gamble is preferred to a sure loss (Kahneman and Tversky, 1982: 162).

iii) Loss Aversion

The term "**loss aversion**" is intended to indicate that the impact of a reference point deviation is generally greater when that deviation is evaluated as a loss than when the same difference is evaluated as a gain (Tversky and Kahneman, 1991: 1039). The shape of the value function supports the loss aversion hypothesis since the function is steeper in the negative than in the positive domain.⁸ Contrary to the EUT assumption, losses thus loom larger than corresponding gains (Tversky and Kahneman, 1981: 454).

In addition to the effects already noted, the properties of the value function affect risky choice behaviour by giving rise to the closely related **endowment** and **instant endowment effects**. A direct manifestation of the asymmetrical value that is attached to comparable gains and losses, the endowment effect indicates that the disutility of losing an object is greater than the utility associated with gaining either the same or a comparable object (Kahneman, Knetsch, and Thaler, 1991: 194). Since endowment enhances the pain of losing an object, not the pleasure of acquiring it, its magnitude is greatest where individuals have attached a distinct symbolic value to an endowment and/or made a distinct psychological commitment to its retention

(Jervis, 1989, quoted in Levy, 1994: 6). In the absence of such distinctions, mere possession of an object can induce an asymmetry between the pain of loss and the pleasure of comparable gain. While the endowment effect relates this asymmetry to current possessions, the instant endowment effect relates it to new acquisitions (Kahneman, Knetsch, and Thaler, 1991: 196). By implying that people accommodate more quickly for gains than for losses, the latter effect also implies that people evaluate foregone gains as less painful than anticipated losses (Taliaferro, 1994: 5). Products of the value function, both the endowment and instant endowment effects result from loss aversion.

Closely related to endowment effects, the **status quo bias** is another phenomenon affecting risky choice behaviour. This bias indicates that when the costs and benefits of a departure from the status quo are evaluated, the costs will loom larger than the benefits since people are most sensitive to the dimension in which they are losing (Tversky and Kahneman, 1991: 1044). The net result is a bias in favour of choosing to remain at the status quo at the expense of foregoing objectively greater gains (Levy, 1993: 15). The status quo bias thus accounts for deviations from EUT axioms holding that an actor will choose between prospects on the basis of gainful pursuit.

In addition to the effects associated with the value function, risky choice behaviour deviates from EUT axioms on the treatment of probabilities. In EUT the utility of an uncertain outcome is weighted by its probability; in prospect theory the value of an uncertain outcome is multiplied by a decision weight $\pi(p)$ (Tversky and

Kahneman, 1981: 454).⁹ Expressing the subjective importance attached to the probability of obtaining a particular outcome, the decision weight is also known as the probability-weighting function. The function has two key properties. First, it underweights intermediate probabilities while overweighting low probabilities (Tversky and Kahneman, 1981: 454).¹⁰ Second, it is not well-behaved near the endpoints. That is, its variance is quite large in the regions near 0 and 1 (Tversky and Kahneman, 1981: 454). The function is thus non-linear in its treatment of probabilities (Figure #2: see p.32).

The properties of the probability-weighting function provide several insights into decision-making under risk. First, the underweighting of intermediate probabilities contributes to the dominant pattern of risk-aversion for gain and risk-seeking for loss by reducing both the attractiveness of possible gains relative to sure gains and the threat of possible losses relative to sure losses (see Appendix A, #4 for data). By contrast, the overweighting of small probabilities can reverse dominant risk propensities by giving rise both to risk-seeking in the positive domain and to risk-aversion in the negative domain (see Appendix A, #5 for data). Commonplace examples of this effect include the appeal of lottery tickets and insurance premiums (Kahneman and Tversky, 1982: 164).

Other effects of the probability-weighting function follow from the fact that it is not well-behaved near its endpoints.¹¹ Kahneman and Tversky argue that

[because] people are limited in their ability to comprehend and evaluate extreme probabilities, highly unlikely events are either ignored or overweighted, and the difference between high probability and certainty is

either neglected or exaggerated (Kahneman and Tversky, 1979: 282-283).

The limited ability to comprehend and evaluate extreme probabilities gives rise to a phenomenon known as the **certainty effect**. This effect indicates that, due to the non-linearity of the function, people overweight outcomes which are considered certain relative to those which are deemed probable (see Appendix A, #6 for data). Contrary to EUT's expectation axiom, the certainty effect thus implies that people overweight the complete elimination of risk relative to a comparable reduction of risk.¹²

Finally, the certainty effect interacts with the **reflection effect** to reinforce the latter phenomenon- the tendency to reverse risk propensities over objectively equivalent outcomes according to whether those outcomes are framed as a gain or a loss (Kahneman and Tversky, 1979: 268-269). Hence, the overweighting of outcomes considered certain relative to those that are deemed probable contributes both to a risk-averse preference for a sure gain over a larger but probable gain and to a risk-seeking preference for a probable loss over a smaller but sure loss (see Appendix A, #4 for data). The combined impact of these effects is to reinforce biases against risk to obtain gain and toward risk to avoid loss (Levy, 1994: 11).

While the properties of the value and the probability-weighting functions normally hold across both choice problems and individuals, their effects have thus far been discussed with reference to decisions that involve a single-value dimension.¹³ Most decisions, however, give rise to a compound outcome which joins a series of changes in a single dimension or a set of concurrent changes in

several dimensions (Kahneman and Tversky, 1982: 168). To describe the framing and evaluation of compound outcomes, Kahneman and Tversky invoke the concept of a **psychological account**, defined as an outcome frame which specifies: "i) the set of elementary outcomes that are evaluated jointly and the manner in which they are combined; and ii) a reference outcome that is considered neutral or normal" (Tversky and Kahneman, 1981: 456). Analogous to single attribute choice problems, the framing of a compound outcome can alter its attractiveness by controlling the gains and losses that are assigned to its account (Kahneman and Tversky, 1982: 168).

Psychological accounts may be of either a minimal or an inclusive character. People generally adopt a **minimal account**, factoring only direct consequences into the evaluation of an act.¹⁴ There are instances, however, in which people adopt an **inclusive account**, evaluating consequences in terms of their effect on the balance of an account that was previously established by a related act (Tversky and Kahneman, 1981: 456-457). Due to the non-linearities of the evaluation process, shifting between account types can systematically induce preference reversals (see Appendix A, #7 for data). An objectively equivalent outcome may thus be evaluated as a gain in one form of account and as a loss in the other. In the case of inclusive accounts, preference reversals are also affected by whether the existing balance is coded as positive or negative.¹⁵ A positively coded balance favours risk-aversion to preserve the current state of gain while a negatively coded balance favours risk-seeking to escape from the current state of loss (Kahneman and Tversky, 1981: 456). The same

risky choice phenomena that affect decision-making behaviour in single attribute choice problems are, therefore, also operative at the compound level.

Since risky choice behaviour is affected by the properties of both the value function and the probability-weighting function, it is worthwhile to offer a concurrent summary of the scales' respective implications. First, the value function implies that: i) prospects are evaluated as positive or negative deviations from a neutral reference point; ii) risk-aversion for gains is favoured by the concavity of the value function in the domain of gains while risk-seeking for losses is favoured by the convexity of the function in the domain of losses; and iii) reference point deviations generally exact a greater impact when they are evaluated as losses than when evaluated as gains. Second, the probability-weighting function implies that: i) dominant risk propensities are reinforced by the tendency to underweight intermediate probabilities; ii) dominant risk propensities may be reversed by the tendency to overweight small probabilities; iii) extreme probabilities may have a disproportionately large impact on prospect evaluation; iv) outcomes considered certain are overweighted relative to outcomes deemed probable; and v) dominant risk propensities are reinforced by the combined impact of the reflection and certainty effects.

Based upon risky choice effects which contradict the basic assumptions of expected utility theory, prospect theory can be used to generate a unique set of hypotheses on decision-making in the high risk negotiation context. Unfortunately, empirical examination of such hypotheses is made difficult by a number of conceptual and methodological issues.¹⁶ The main problem lies in transferring the

results of laboratory experiments to the empirical world. In the laboratory, extraneous variables are strictly controlled for, measures of equivalence are given, and preferences are assumed to correspond with role instructions providing both reference points and probabilities (Greenhalgh, Neslin, and Gilkey, 1985: 23). In the empirical world, decision-makers face the tasks of defining the situation, editing the choice problem and then evaluating the options under dynamic conditions (Levy, 1993: 28). That is, decision-makers face the tasks of framing and reframing the choice problem.

Formal analysis of framing has been limited by the circumstance that editing operations are applied contingent to the method of their elicitation, the formulation of the problem, and the context of choice (Tversky and Kahneman, 1981). Cognitive psychologists have thus been unable to construct a model accounting for either the origin or the dynamic evolution of frames. Without such a model to guide them, international relations analysts have taken the preferences of decision-makers as given, attempted to devise a context specific model of framing, or explained preferences in an ad hoc manner.¹⁷ This paper adopts the latter technique for two reasons. First, taking preferences as given is a highly questionable approach to negotiation analysis since negotiators' stated objectives and tactical behaviours are informed as much by strategic considerations as by the effects of risky choice. Second, attempting to devise a context specific model is equally problematic since the paper is concerned with three case studies and, therefore,

there might be multiple sources of frames and frame changes depending on the type of decision problem

involved, the amount of time required to resolve it, and the number and types of participants in the decision-process (Taliaferro, 1993: 22-23).

Despite the dangers of attempting to transfer effects observed in the laboratory to empirical analysis, the attempt is warranted by the alternative danger of premature theoretical closure (Levy, 1993: 29). Since prospect theory can generate intriguing hypotheses on negotiator behaviour, the first step in the research process should be to devise and test such hypotheses. The following section contributes to this agenda by formulating the propositions that are tested in chapter three.

Prospect Theory and Negotiation Analysis

Prospect theory implies that negotiator behaviour and choice are affected by whether an outcome is framed and evaluated as a positive or negative deviation from a reference point. In the negotiation context, gains and losses are not defined exclusively in terms of reference point deviations over a single-value outcome, but in terms of reference point deviations over a multi-value outcome (Levy, 1993). Empirical analysis must therefore consider the location, hierarchy and interplay of multiple reference points while a prospect theory based analysis must describe how those considerations together affect and are affected by negotiator behaviour and choice. Given this circular causality, analytical clarity requires a truncated presentation of insights on how risky choice phenomena may affect behaviour in the negotiation context. The remainder of chapter two is therefore divided into two sub-

sections: i) hypotheses on reference points, risk propensities, and choice; and ii) descriptive statements relating risky choice phenomena to several behavioural tendencies identified in the negotiation literature and, on the basis of those statements, hypotheses on negotiator behaviour.

Prior to developing the hypotheses, it is important to re-state the definition of power offered in chapter one since the hypotheses will be related to the analysis of asymmetrical negotiation through that definition. To repeat, then, "power is a willingness on the part of actor A to use its resources throughout a process with actor B in a way which brings about changes that cause preferred outcomes in its relationship with B." This definition is critical to an application of the hypotheses since gain/loss evaluations are employed as the independent measure of willingness. Specifically, willingness to risk the loss associated with a particular deployment of resources in order to avoid the loss associated with a failure to so deploy. Although it is possible to generate a diverse array of propositions by differently combining each set of hypotheses, this paper is concerned only with negotiations wherein the weak prevail over the strong. The following discussion is thus limited to those combinations which, when associated with the definition of power, most directly affect this concern. Having emphasized this critical point, it is now possible to proceed with the remainder of chapter two.

i) Reference Points, Risk Propensities, and Choice

In the absence of empirical analysis, it is impossible to determine whether options will be framed and evaluated as positive or negative deviations from

reference points. It is, however, possible to hypothesize how prior outcomes may influence both the selection of a current reference point and, thereby, the type of psychological account in which current options are evaluated. First, if a prior outcome was evaluated as a gain, the instant endowment effect implies that negotiators are apt to select a status quo reference point and to therefore evaluate current options in a minimal account where the existing balance is neutral. That is, past gains are unlikely to influence the evaluation of current choices since people readily accommodate for gains and therefore quickly renormalize their reference points to the new status quo (Levy, 1994: 21). Conversely, if a prior outcome was evaluated as a loss, the endowment and instant endowment effects imply that negotiators are apt to select a reference point other than the status quo and to therefore evaluate current options in an inclusive account where the existing balance is negative. That is, past losses are likely to influence the evaluation of current choices since people do not readily accommodate for losses and therefore do not quickly renormalize their reference point to the new status quo (Levy, 1994: 21).

Conjoining hypotheses on the relationship between prior outcomes and psychological accounts with the definition of power, it may be suggested that actors evaluating options in an inclusive account are empowered relative to actors evaluating options in a minimal account. Although losses from status quo deviation favour risk-seeking tendencies regardless of account type, inclusive account holders likely overweight such losses to a greater degree than do minimal account holders. Not yet accommodated to recent losses, the former are apt to evaluate such

deviation as entailing "further loss" while the latter, situated at a neutral reference point, are apt to evaluate it as entailing either loss and/or gain as well as loss. Inclusive account holders are thus empowered relative to minimal account holders since they possess a stronger risk-seeking will to deploy their resources in terms consonant with the definition of power. That is, inclusive account holders are empowered by a preference for risking loss from resource deployment (resisting status quo deviation) over risking loss from non-deployment (accepting status quo deviation). Under asymmetrical power, it is thus more probable that the weak will prevail while the strong concede when the weak evaluate options from the perspective of an inclusive account while the strong evaluate options from the perspective of a minimal account.

Although identifying psychological accounts requires an empirical determination of reference points, it is possible to hypothesize how deviations from those points may influence risk propensities. First, if actors hold a status quo reference point, and evaluate the status quo as static and acceptable, prospect theory implies that they will become risk-averse in order to avoid losses from change in the status quo (Levy, 1993: 20). Second, if actors hold a status quo reference point, and evaluate the status quo as acceptable yet dynamic, prospect theory implies that they will become risk-seeking in order to avoid losses from change in the status quo (Levy, 1993: 20). Third, if actors hold a reference point other than the status quo and evaluate the latter as a negative deviation from the former, prospect theory implies that they will become risk-seeking in order to avoid losses from status quo

maintenance. Whether risk propensities generated by the evaluation of reference point deviations will favour a negotiated agreement, a deadlock, or a resort to unilateral action depends upon which of those outcomes is framed and evaluated as closest to a negotiator's reference point.

Collaring hypotheses on risk propensities derived from reference point deviations with the definition of power, it may be suggested that actors holding either of the latter two reference points are empowered relative to actors holding the former reference point. The latter implies that the absence of action entails loss while the former implies that action entails loss. Actors falling into the latter category are thereby empowered relative to actors falling into the former category since they possess the risk-seeking will to deploy their resources in a manner consistent with the definition of power. In other words, actors falling into the latter category are empowered by a preference for risking loss from resource deployment (action) over risking loss from non-deployment (inaction). In asymmetrical negotiations, then, there is a greater likelihood of the weak prevailing over the strong when the weak adopt a reference point belonging in the latter category while the strong adopt a reference point belonging in the former category.

While the hypotheses developed thus far operate over both single-value outcomes and the multi-value outcomes they yield when aggregated, it is impossible to predict the relationship between single-value outcomes in the absence of empirical analysis. It is, however, possible to hypothesize how the prioritization of single-value outcomes may influence both the likelihood of aggregation and the nature of

consequent risk propensities. First, if the prioritization of single-value outcomes is such that a multi-value outcome is evaluated as imposing loss on one dimension but yielding gain on a more prized dimension, prospect theory implies that negotiators are likely to aggregate the dimensions into a single frame and, thereby, to become risk-averse since gains on one dimension will cancel out losses on another. This phenomenon is known as **cancellation** (Levy, 1994: 16). Conversely, if the prioritization of single-value outcomes is such that a multi-value outcome is evaluated as yielding gain on one dimension but imposing loss on a more prized dimension, prospect theory implies that negotiators are likely to disaggregate the dimensions into separate frames and, thereby, to become risk-seeking since losses on one dimension hurt more than gains on another gratify.

Relating the definition of power with hypotheses on the relationship between outcome prioritization and risk propensities, it may be suggested that actors adopting separate frames are empowered relative to actors adopting a single frame. Those holding separate frames are concerned with avoiding loss on one dimension at the expense of securing gain on another while those holding a single frame cancel loss on one dimension against gain on another. The former are thus empowered relative to the latter since they possess a risk-seeking willingness to deploy their resources in the manner envisioned by the definition of power. Stated differently, the former are empowered by a preference for risking loss from resource deployment (avoiding loss on one dimension) over risking loss from non-deployment (cancelling loss on one dimension against gain on another). Under asymmetry, it is thus more likely that the

strong will concede while the weak prevail when the strong adopt a single frame while the weak adopt separate frames.

Although determining both the prioritization of single-value outcomes and the consequent nature of outcome frame(s) requires empirical analysis, it is possible to hypothesize how risky choice phenomena may encourage negotiators to disaggregate multi-value outcomes into single-value outcomes and thereby become risk-seeking. First, if multiple reference point deviations are evaluated as recent occurrences, the instant endowment effect implies that actors are likely to disaggregate outcomes and become risk-seeking since people accommodate slower for losses than for gains, thus overweighting losses on one dimension relative to gains on another. Second, if multiple reference point deviations are evaluated as the certain result of a given set of circumstances, the certainty effect and loss aversion together imply that actors are likely to disaggregate outcomes and become risk-seeking since certain loss on one dimension is more painful than probable gain on another is pleasurable.

Concerned solely with conditions encouraging actors to disaggregate outcomes into separate frames, the above set of hypotheses are easily associated with the definition of power. In essence, actors subject to the influence of those conditions are empowered relative to actors immune to such influence since the former are more likely to adopt separate frames and, thereby, to possess the risk-seeking will to deploy their resources in a fashion consistent with the definition of power. More succinctly, actors subject to the influence of those conditions are empowered by the greater likelihood of their holding a preference for risking loss from resource

deployment (avoiding loss on one dimension) over risking loss from non-deployment (cancelling loss on one dimension against gain on another). Extending this supposition to cases of asymmetrical negotiation is similarly straightforward: the prospect of the weak prevailing over the strong is enhanced when the weak are subject to the influence of conditions encouraging disaggregation while the strong are immune to such influence.

Whether a potential agreement is framed and evaluated in an aggregated or disaggregated form, it is possible to formulate two sets of hypotheses on how the results of that evaluation may affect choice over agreement. First, if actors evaluate: i) certain and immediate losses from a failure to agree; or ii) small and certain losses from a failure to agree and larger but uncertain losses from agreement, prospect theory implies that they will choose the risk-averse option of a negotiated settlement. Second, if actors evaluate: i) certain and immediate losses from agreement; or ii) small and certain losses from agreement and larger but uncertain losses from a failure to agree, prospect theory implies that they will choose the risk-seeking option of no agreement (Neale and Bazerman, 1985: 45; Stein, 1992: 222).

Filtering hypotheses on the relationship of evaluation results with choice over agreement through the definition of power, it may be expected that actors whose evaluations are consistent with the latter set of hypotheses are empowered relative to actors whose evaluations are consistent with the former set of hypotheses. The latter set implies that agreement will yield a greater loss than a failure to agree, thereby encouraging actors to prefer non-agreement over agreement. The former

set implies the opposite, thereby encouraging actors to prefer agreement over non-agreement. Actors whose evaluations fall into the latter category are thus empowered relative to actors whose evaluations fall into the former category since they possess a risk-seeking willingness to deploy their resources in the sense implied by the definition of power. In other words, actors whose evaluations fall into the latter category are empowered by a preference for risking loss from resource deployment (non-agreement) over risking loss from non-deployment (agreement). Situating this contention in the context of asymmetrical negotiations, it is thus more likely that the weak will prevail over the strong when the evaluations of the weak are congruent with the latter set of hypotheses while those of the strong are congruent with the former set of hypotheses.

ii) Risky Choice Phenomena and Negotiator Behaviour

Important implications for negotiation follow from the evidence that framing affects the evaluation of reference point deviations, the nature of risk propensities and, thereby, the fate of proposed settlements. The most important implication is that negotiators should seek to identify frames in order to estimate which behaviours will encourage agreement (Stein, 1992: 230). Although intuitively appealing, such prescriptive advice is futile without a prior understanding of how risky choice effects are manifested in negotiator behaviour. The remainder of this chapter thus describes potential relationships between risky choice phenomena and several behavioural tendencies identified in the negotiation literature, and formulates hypotheses on negotiator behaviour. Once again, the discussion is limited to those combinations

of hypotheses whose implications are most directly relevant to the concern of this paper.

The negotiation literature associates many behavioural tendencies with cognitive operations that simplify the complexity of decision-making tasks (see: Samuelson and Bazerman, 1985; Bazerman and Sondak, 1988; Bazerman and Neale, 1991). Two particularly important behaviours are the tendencies to treat coalitions as unitary actors and to hold stereotyped images of an opponent. Following from judgements concerning the balance of intra-state forces, the tendency to treat coalitions as unitary actors results in a failure to evaluate the extent of intra-coalition preference diversity and, thereby, in an overestimation of coalition unity (Bazerman and Neale, 1991: 120). The tendency to hold stereotyped images results in an attribution of congruent motives to an opponent and, thereby, in a failure to appreciate the contingencies which influence opponent behaviour (Bazerman and Sondak, 1988: 313). Drawing on prospect theory, it is possible both to indicate potential relationships between these tendencies and risky choice phenomena, and to formulate hypotheses premised on the contention that such relationships distort the perception of probabilities.

With respect to the tendency for portraying coalitions as unitary actors, it may be hypothesized that such a portrayal is apt to affect the perception of probabilities such that outcomes whose probability would otherwise be perceived as falling in the intermediate range are perceived as outcomes whose probability is certain. It could then be expected that negotiators would behave as though probabilities were certain

and, thereby, unintentionally alter those probabilities. For instance, negotiators who overestimate coalition unity may evaluate with certainty that a coalition will or will not grant concessions and/or will or will not yield on concession demands. The certainty effect may then result in a tendency to ignore opportunities for exploiting intra-coalition differences and, thereby, in a failure to pursue those initiatives which might have differently altered the probability of an outcome.

Relating the hypothesis that unitary actor frames affect probability perceptions with the definition of power, it may be suggested that actors evaluating their coalition as a unitary actor who will not concede are empowered relative to actors evaluating their coalition as a unitary actor who will concede. The former likely overweight the probability that an agreement following from concession will yield loss to the coalition. The latter likely overweight the probability that a non-agreement following from non-concession will yield loss to the coalition. The former are thus empowered relative to the latter since they are more likely to possess the risk-seeking will to deploy their resources in terms consonant with the definition of power. That is, the former are empowered by a preference for risking loss from resource deployment (non-concession/non-agreement) over risking loss from non-deployment (concession/agreement). Under asymmetry, then, there is a greater prospect of the weak prevailing while the strong concede when the weak evaluate their coalition as a unitary actor who will not concede while the strong evaluate their coalition as a unitary actor who will concede.

In addition to portraying coalitions as unitary actors, negotiators typically display a tendency for stereotyping opponents. It may be hypothesized that such stereotypes are apt to affect perceptions of outcome consequences such that consequences which are congruent with a stereotype are perceived as extremely probable while consequences which contradict a stereotype are perceived as extremely improbable. Although risk propensities over extreme probabilities are generally unpredictable, it is reasonable to expect that stereotypes will encourage negotiators to focus on either the gains or the losses that are perceived to accompany an outcome and, thereby, to exhibit congruent risk propensities. For instance, if a negotiator attributes nefarious motives to a negatively stereotyped opponent, the negotiator is likely to overweight the probability that a negotiated outcome will yield loss relative to the probability that it will yield gain due to the belief that such an opponent would offer and/or agree only to those outcomes which would impose loss on the negotiator. Conversely, if a negotiator attributes benign motives to a positively stereotyped opponent, the negotiator is likely to overweight the probability that a negotiated outcome will yield gain relative to the probability that it will yield loss due to the belief that such an opponent would readily offer and/or agree to outcomes which would offer gain to the negotiator. Finally, it may be suggested that these possibilities are particularly likely if a stereotyped opponent is also treated as a unitary actor since such treatment may give rise to the certainty effect.

Connecting the definition of power with hypotheses on stereotypes affecting distorted probability perceptions, it may be suggested that actors negatively

stereotyping an opponent are empowered relative to actors positively stereotyping an opponent. The former overweight the probability that an agreement will yield loss and underweight the probability that it will yield gain while the latter overweight the probability that an agreement will yield gain and underweight the probability that it will yield loss. The former are thus empowered relative to the latter since they are more likely to possess the risk-seeking will to deploy their resources in terms congruent with the definition of power. More concretely, the latter are empowered by a preference for risking loss from resource deployment (avoiding loss from agreement) over risking loss from non-deployment (securing gain from agreement). In cases of asymmetrical power, it is thus more likely that the strong will concede while the weak prevail when the strong positively stereotype the weak while the weak negatively stereotype the strong.

In addition to affecting frames in which coalitions are treated as unitary actors and opponents are stereotyped, the negotiation literature indicates that simplification operations generate the tendency to adopt a fixed-pie orientation.¹⁸ That is, what one side gains, the other side loses. Drawing on prospect theory it is possible both to indicate how risky choice phenomena may account for fixed-pie orientations and to suggest that actors will adopt a risk-seeking, fixed-pie orientation regardless of whether negotiations are approached as distributive or integrative enterprises.

According to the distributive model, negotiation is a procedure for dividing a fixed sum of resources; what one side gains, the other side loses (Bazerman, 1983: 200). Since the distributive model thereby frames negotiated solutions in terms of

gains versus losses, loss aversion implies that parties to such a negotiation will overweight the losses from compromise relative to the gains from agreement and therefore become risk-seeking. Yet most negotiations are not objective fixed-pies since they are concerned with more than one issue, with each actor placing different values on each issue (Bazerman and Neale, 1983: 62). Reflecting this condition, the integrative model views negotiation as a means to devise creative settlements yielding joint gains.¹⁹ Creativity requires looking at a problem from new and different perspectives (Bazerman and Neale, 1991: 12). That is, it requires reframing a problem in terms of gains alone in order to generate a mutual risk-averse incentive for compromise.²⁰

Yet the joint gains of an integrative solution must be distributed; what one side gains the other side loses (Lax and Sebenius; 1986). Implying that foregone gains are evaluated as less painful than anticipated losses, the instant endowment effect indicates that actors will frame integrative solutions in terms of gains versus losses, adopt a fixed-pie orientation, and thus become risk-seeking to avoid losses from compromise.

Despite the tendency to adopt a fixed-pie orientation, negotiation is characterized by risk-averse actors making concessions for the purpose of facilitating agreement. The negotiation literature contends that concessionary behaviour is strongly influenced by perceptions of "fairness" (Larson, 1988). According to cognitive psychology, such perceptions are influenced by the images and motives which a negotiator attributes to an opponent (Bazerman and Neale, 1991: 120).

These attributions are assumed to shape both the interpretation of information and the nature of responses (Larson, 1988: 287). Thus, "[people] are more likely to reciprocate gifts that were a sacrifice to the giver because they are less apt to have ulterior designs" (Larson, 1988: 294). Drawing on prospect theory, it is possible both to explain how risky choice phenomena may interact with perceptions of image and motive, and to hypothesize how such interactions may affect whether an actor will become risk-seeking to avoid the losses from concession or risk-averse to claim the gains from concession exchange.

First, "bad faith" images and motives may encourage recipients holding a fixed-pie orientation to evaluate concessions made by an opponent as a surreptitious means by which to claim gains at the expense of the recipient. It may thus be hypothesized that if a negotiator attributes "bad faith" images and motives to an opponent, the negotiator is more apt to frame and evaluate an exchange in terms of losses, to overweight the probability that the losses from an exchange are greater than the gains, and to become risk-seeking in order to avoid the losses from an exchange. Conversely, "good faith" images and motives may encourage recipients holding a fixed-pie orientation to evaluate concessions made by an opponent as entailing sacrifice for the opponent. It may thus be hypothesized that if a negotiator attributes "good faith" images and motives to an opponent, the negotiator is more apt to frame and evaluate an exchange in terms of gains and, thereby, to become risk-averse in order to claim the gains from an exchange.

Integrating hypotheses on risk propensities generated by image and motive attributions with the definition of power, it may be suggested that actors attributing "bad faith" to an opponent are empowered relative to actors attributing "good faith" to an opponent. The former evaluate that agreements based on concession exchanges will situate them in the domain of loss while the latter evaluate that agreement based on concession exchanges will situate them in the domain of gain. The former are thus empowered relative to the latter since they possess the risk-seeking will to deploy their resources in a fashion corresponding with the definition of power. Stated differently, the former are empowered by a preference for risking loss from resource deployment (no concession exchange/no agreement) over risking loss from non-deployment (concession exchange/agreement). In asymmetrical negotiations, there is thus a greater likelihood of the weak prevailing over the strong when the weak attribute "bad faith" to the strong while the strong attribute "good faith" to the weak.

In addition to image and motive attributions, prospect theory implies that perceptions of "fairness" may be influenced by how negotiators frame proposed concession exchanges. Implying that foregone gains hurt less than anticipated losses, endowment effects indicate that standards of fairness draw a sharp distinction between exchanges that are framed as imposing losses and exchanges that are framed as not sharing gains (Kahneman, Knetsch, and Thaler, 1991: 1056; Tversky and Kahneman, 1991: 203-204). Concession exchanges that are framed in terms of gain distribution (i.e., "fair" exchanges) may therefore be granted more readily than

exchanges that are framed in terms of loss distribution. Yet the problem of distributing joint gains generates fixed-pie orientations and, thereby, becomes the problem of distributing joint losses. It may thus be hypothesized that the prospect of gaining a concession exchange is: i) unlikely if the exchange is framed as imposing loss on the opponent; ii) unlikely if the exchange is framed as a reduced gain (i.e., integrative fixed-pie) for both parties; and iii) likely if the exchange is framed as a reduced gain for the opponent, a reduction justified by the losses which a focal negotiator suffers from reciprocity.

Collating the definition of power with hypotheses relating the framing of proposed concession exchanges with the prospect of an opponent acceding to such proposals, it may be suggested that actors proposing an exchange framed as a reduced gain justified by losses from reciprocity are empowered relative to actors proposing an exchange framed as either imposing loss or merely reducing gain. The former frame encourages opponents to evaluate that the joint gains from exchange are distributed such that it is the proposing actor who suffers the loss attending "gain distribution." The former frame thus situates opponents in the position of evaluating gains. The latter frame encourages opponents to evaluate that the joint gains from exchange are distributed such that it is the opponent itself who suffers the loss attending "gain distribution." The latter frame thus situates opponents in the position of evaluating losses. Actors proposing exchanges framed in the former manner are thus empowered relative to actors proposing exchanges framed in the latter manner since opponents of the former are less likely to possess a risk-seeking will to deploy

their resources in the sense implied by the definition of power. In other words, actors proposing exchanges framed in the former manner are empowered by opponents' preference for risking loss from non-deployment (securing gain from exchange) over risking loss from deployment (avoiding loss from exchange). Under asymmetry, it is thus more probable that the weak will prevail while the strong concede when the weak frame proposed exchanges as a reduced gain for the opponent justified by losses from reciprocity while the strong frame proposed exchanges as either imposing loss or merely reducing gain.

In addition both to image and motive attributions and the framing of concession exchanges, prospect theory implies that perceptions of "fairness" are affected by how negotiators frame the relationship between concessions and associated contingencies. Many negotiations are concerned with actions that reduce or eliminate the probability of a contingency whose occurrence would result in loss. Since the complete elimination of risk is overweighted relative to a comparable reduction of risk, the shape of the probability-weighting function implies that the certain loss from a concession may be considered "fair" if it is framed as offering certain protection against the loss from a contingency (Tversky and Kahneman, 1981: 456-457).

The prospect of gaining concessions by framing them as forms of unconditional protection against contingencies is, however, limited by the condition that such contingencies are evaluated as either extreme or low probabilities. If the probability of the contingency falls in the intermediate range, the concession would

likely not be granted since dominant risk propensities are reinforced by the underweighting of intermediate probabilities. The certain loss from the concession would therefore be overweighted relative to a probable loss from the contingency. If the probability falls in the extreme range, the concession might be granted since risk propensities are unpredictable near 0 and 1. The loss from the concession might thus be underweighted or overweighted depending on whether the loss from the contingency is, respectively, evaluated as certain or ignored. If the contingency falls in the low range, the concession is likely to be granted since dominant risk propensities are easily reversed by the overweighting of low probabilities. The certain loss from the concession would thus likely be underweighted relative to the probable loss from the contingency. It may thus be hypothesized that if a negotiator frames a concession request as a form of unconditional protection against loss from contingencies, the prospect of gaining that concession is: i) unlikely if its probability falls in the intermediate range; ii) possible if its probability falls in the extreme range; and iii) likely if its probability falls in the low range.

Conjoining the definition of power with the above hypotheses on concession requests, it may be suggested that actors whose requests are evaluated as protection against either extreme or low probability contingencies are empowered relative to actors whose requests are evaluated as protection against intermediate probability contingencies. The former set of probabilities allow or encourage opponents to overweight the loss from contingency relative to the loss from concession while the latter probability encourages opponents to overweight the loss from concession

relative to the loss from contingency. Actors whose requests fall into the former category are thus empowered since their opponents are less likely to possess a risk-seeking will to deploy their resources in the manner implied by the definition of power. More directly, actors whose requests are evaluated in the former category are empowered by opponents' preference for risking loss from non-deployment of resources (concession) over risking loss from deployment (contingencies). Extending this contention to asymmetrical negotiations, it is anticipated that there is a greater prospect of the strong conceding while the weak prevail when the strong request concessions that are evaluated by the weak as protection against intermediate probability contingencies while those of the weak are evaluated by the strong as protection against either extreme or low probability contingencies.

In addition to the behavioural tendencies discussed thus far, the negotiation and cognitive psychology literatures indicate that negotiators typically escalate their commitment to a failing course of action. The tendency is most commonly identified with: i) the need for justifying past actions to oneself and/or a constituency; and ii) the adoption of coercive tactics aimed at securing opponent compliance and, thereby, succeeding at justifying past actions (Staw, 1981; Neale and Bazerman, 1985; Bazerman and Sondak, 1988). Drawing on prospect theory, it is possible both to indicate how risky choice phenomena may interact with these sources of escalation and to formulate hypotheses on other conditions which may affect the tendency.

Regardless of whether it responds to the need for justifying past actions to oneself and/or to a constituency, the escalation tendency operates through a

misapplication of the availability heuristic (Staw, 1981: 580). "The "rule" of the availability heuristic is "that which is most easily imagined or remembered is most likely to occur" " (Staw, 1976, quoted in Neale and Bazerman, 1985: 45)

Misapplication is assumed to follow from the ease of retrievability bias such that

information that directly affects the negotiator will be most familiar to him or her, is most thought provoking, and will be most available when that individual is **evaluating** options (emphasis added, Neale and Bazerman, 1985: 45).

While the ease of retrievability bias explains why information is likely to be perceived as more vivid if it relates directly to the negotiator, it does not explain why information related to losses is inherently more vivid than information related to gains. The availability heuristic and risky choice phenomena together provide the explanation: i) loss aversion implies that losses are more easily imagined than gains since anticipation of the former hurts more than anticipation of the latter gratifies; and ii) endowment effects imply that losses are more easily remembered than gains since accommodation for losses is slower than accommodation for gains.

It may be suggested that prospect theory, the availability heuristic, and the ease of retrievability bias together explain the tendency to risk escalation. That is, losses from the current status quo which have not been accommodated for are certain, vividly available, and easily remembered whereas losses from escalation are none of these things. The choice between resignation and escalation is thus framed as the choice between a sure loss and the possibility of "breaking even," or returning to the old status quo reference point (Neale and Bazerman, 1985: 48). This

explanation also accounts for why escalation is particularly likely to occur when it is unlikely to succeed. Specifically, the combined force of the three sets of phenomena may virtually guarantee that dominant risk propensities will both reverse when the probability of success is low and hold constant when the probability of success is extremely low. These considerations on the escalation tendency suggest that the "need for justifying past actions" is technically mislabelled. It would be more correct to hypothesize a "need for undoing past losses."

As well as the need for justifying past actions, the escalation tendency is attributed to coercive tactics aimed at satisfying that need. Commitment to a specific outcome is chief among such implicated tactics with the explanation that it is both the product of a competitive spirit and a catalyst to that spirit (Neale and Bazerman, 1985: 115-116; Bazerman and Sondak, 1988: 307). Although intriguing, the explanation is not convincing. It may be suggested that risky choice phenomena offer a more compelling interpretation of why negotiators resort to commitment. First, both commitment and the competitive spirit from which it originates are products of fixed-pie orientations, orientations resulting from gains and losses acting as the carriers of utility. Second, commitment as a form of risky escalation reflects the evaluation that a certain loss from the current status quo is more painful than a larger yet only probable loss from escalation. Third, commitment places opponents in the domain of loss by negatively affecting both image and motive attributions and perceptions of "fairness." As one of many coercive tactics sharing these qualities,

commitment is both a product and a catalyst in terms of loss aversion, not in terms of competitive spirits.

In addition to providing insights into the relationship of the escalation tendency with both the need for justifying past actions and the use of coercive tactics, risky choice phenomena may be employed to offer a series of hypotheses on evaluations affecting the tendency. However, the previous section offered a series of hypotheses on the relationships between reference points and risk propensities, the same relationships affecting the frame in which escalation is evaluated. Therefore it is unnecessary to recast all of those hypotheses for the sole purpose of replacing the words "...adopt a risk-seeking tendency" with the words "...adopt an escalation tendency." Given insights gained throughout the intervening portions of the paper, however, it is worthwhile to indicate how other conditions may aggravate the tendency for escalation.

Risky escalation is particularly likely when one or more of the following conditions accompany the negative evaluation of a reference point deviation: i) future loss is perceived to be certain in the absence of corrective action; ii) past loss has recently occurred; iii) negative image and motive attributions and/or negative stereotypes are attached to an opponent; iv) coercive tactics engender the perception that opponent behaviour is not "fair"; and v) coercive tactics change the status quo in terms of utilities due to the reputational or political costs they impose on both focal and target negotiators (Levy, 1993: 16). Finally, escalation is most likely when more than one negotiator is subject to one or more of these effects.

Concerned simply with conditions encouraging an escalation tendency, the relationship between the above set of hypotheses and the definition of power is obvious. Specifically, actors subject to the influence of those conditions are empowered relative to actors immune to such influence since the former are more likely to fall victim to the escalation tendency and, thereby, to exhibit the risk-seeking will to deploy their resources in the fashion envisioned by the definition of power. In other words, actors subject to the influence of those conditions are more likely to prefer risking loss from resource deployment (avoiding certain loss from the status quo) than from non-deployment (accepting certain loss from the status quo). In cases of asymmetrical power, it is therefore more probable that the weak will prevail while the strong concede when the weak are subject to the influence of conditions encouraging escalation while the strong are immune to such influence.

The final behavioural tendency discussed in this chapter is identified in the negotiation literature as a reluctance to accept fair concession exchanges (Bazerman and Neale, 1983). Relying on the theoretical foundation developed throughout this chapter, it is possible to briefly describe the relationship between this tendency and risky choice phenomena. Most generally, the reluctance to accept fair exchanges may be attributed to an asymmetry between the evaluations of concessions offered by a negotiator and concessions offered to a negotiator; the latter are normally evaluated as gains while the former are typically evaluated as losses. Known as **concession aversion**, this phenomena is credited with significantly reducing the region of agreement in multi-attribute negotiations (Tversky and Kahneman, 1991: 1056).

One important qualification to the concession aversion phenomenon follows from experimental evidence indicating that the forces of loss aversion and the endowment effect are likely to be minimal where goods are acquired for sale rather than for use (Kahneman, Knetsch, and Thaler, 1991: 200). This implies that if the items or resources offered in a concession exchange are acquired for that purpose, negotiators are less apt to exhibit a concession aversion (Levy, 1993: 18). Yet it is doubtful whether this technique for combatting concession aversion would be effective since the longer one possesses a good and the more effort one expended to acquire the good, the greater its perceived value (Jervis, 1989: 169, quoted in Levy, 1993: 18). That is, the greater the forces of loss aversion and the endowment effect.

This chapter has developed a number of hypotheses relating negotiator behaviour under asymmetrical power with prospect theory. It is worthwhile at this point to summarize the hypotheses in the order in which they were presented.

1) Hypotheses Relating to Reference Points, Risk Propensities and Choice

Across the following sets of hypotheses, references to risk propensities may also be read as references to escalation tendencies, where escalation means heightened commitment to a failing course of action for the purpose of reversing losses associated with past commitment to that action. That is, where escalation means risking loss in the hope of "breaking even." The phrase "...adopt a risk-seeking tendency" may be thus interchanged with the phrase "...adopt an escalation tendency"

while the phrase "...adopt a risk-averse tendency" may be interchanged with the phrase "...fail to adopt an escalation tendency."

1a) Prior Outcomes, Reference Point Selection and Psychological Accounts

First, if a prior outcome was evaluated as a gain, negotiators are apt to select a status quo reference point and to therefore evaluate current options in a minimal account. Conversely, if a prior outcome was evaluated as a loss, negotiators are apt to select a reference point other than the status quo and therefore to evaluate current options in an inclusive account. Under asymmetrical power, it is more probable that the "weak will prevail while the strong concede" when the weak evaluate options from the perspective of an inclusive account while the strong evaluate options from the perspective of a minimal account.

1b) Reference Point Deviations and Risk Propensities

First, if actors hold a status quo reference point, and evaluate the status quo as static and acceptable, they will become risk-averse. Second, if actors hold a status quo reference point, and evaluate the status quo as acceptable yet dynamic, they will become risk-seeking. Third, if actors hold a reference point other than the status quo and evaluate the latter as a negative deviation from the former, they will become risk-seeking. In asymmetrical negotiations, there is a greater likelihood of the weak prevailing over the strong when the weak adopt either of the latter two reference points while the strong adopt the former reference point.

1c) Multiple Reference Point Deviations, Aggregation/Disaggregation and Risk Propensities

First, if the prioritization of single-value outcomes is such that a multi-value outcome is evaluated as imposing loss on one dimension but yielding gain on a more prized dimension, negotiators are likely to aggregate the dimensions into a single frame and, thereby, to become risk-averse. Conversely, if the prioritization of single-value outcomes is such that a multi-value outcome is evaluated as yielding gain on one dimension but imposing loss on a more prized dimension, negotiators are likely to disaggregate the dimensions into separate frames and, thereby, to become risk-seeking. Under asymmetry, it is more likely that the strong will concede while the weak prevail when the strong adopt a single frame while the weak adopt separate frames.

1d) Conditions Favouring the Disaggregation of Multiple Reference Point Deviations and Risk-seeking

First, if multiple reference point deviations are evaluated as recent occurrences, actors are likely to disaggregate outcomes and become risk-seeking. Second, if multiple reference point deviations are evaluated as the certain result of a given set of circumstances, actors are likely to disaggregate outcomes and become risk-seeking. The prospect of the weak prevailing over the strong is enhanced when the weak are subject to the influence of conditions encouraging disaggregation while the strong are immune to such influence.

1e) Reference Point Deviations, Risk Propensities and Choice

First, if actors evaluate: i) certain and immediate losses from a failure to agree; or ii) small and certain losses from a failure to agree and larger but uncertain

losses from agreement, they will choose the risk-averse option of a negotiated settlement. Second, if actors evaluate: i) certain and immediate losses from agreement; or ii) small and certain losses from agreement and larger but uncertain losses from a failure to agree, they will choose the risk-seeking option of no agreement. In the context of asymmetrical negotiations, it is more likely that the weak will prevail over the strong when the evaluations of the weak are congruent with the latter set of hypotheses while the evaluations of the strong are congruent with the former set of hypotheses.

2) Hypotheses Relating to Negotiator Behaviour

2a) Unitary Actors and the Perception of Probabilities

If the negotiator frames portray coalitions as unitary actors, negotiators will behave as though the attributions they assign to coalitions are certain and, thereby, unintentionally alter probabilities. Under asymmetry, there is a greater prospect of the weak prevailing while the strong concede when the weak evaluate that the balance of intra-state forces renders their coalition a unitary actor who will not concede while the strong evaluate that the balance of intra-state forces renders their coalition a unitary actor who will concede.

2b) Stereotypes and the Perception of Probabilities

If negotiator frames stereotype opponents, negotiators will overweight outcome consequences (gains or losses) that are perceived as congruent with a stereotype and underweight outcome consequences (gains or losses) that are

perceived as contradicting a stereotype and, thereby, will exhibit corresponding risk propensities. In cases of asymmetrical power, it is more likely that the strong will concede while the weak prevail when the strong positively stereotype the weak while the weak negatively stereotype the strong.

2c) "Fairness," Image and Motive Attributions, and the Granting of Concessions

First, if a negotiator attributes a "bad faith" image and motive to an opponent, the negotiator is more apt to become risk-seeking. Second, if a negotiator attributes a "good faith" image and motive to an opponent, the negotiator is more apt to become risk-averse. In asymmetrical negotiations, there is a greater likelihood of the weak prevailing over the strong when the weak attribute "bad faith" to the strong while the strong attribute "good faith" to the weak.

2d) "Fairness," the Framing of Concession Exchanges and the Granting of Concessions

The prospect of gaining a concession exchange is: i) unlikely if the exchange is framed as imposing loss on the opponent; ii) unlikely if the exchange is framed as a reduced gain (i.e., integrative fixed-pie) for both parties; and iii) likely if the exchange framed as a reduced gain for the opponent, a reduction justified by the losses which a focal negotiator suffers from reciprocity. Under asymmetry, it is more likely that the weak will prevail while the strong concede when the weak frame proposed exchanges as a reduced gain justified by losses from reciprocity while the strong frame proposed exchanges as either imposing loss or merely reducing gain.

2e) "Fairness," the Framing of Contingencies and the Granting of Concessions

If a negotiator frames a concession request as a form of unconditional protection against loss from contingencies, the prospect of gaining that concession is: i) unlikely if its probability falls in the intermediate range; ii) possible if its probability falls in the extreme range; and iii) likely if its probability falls in the low range. Extending this contention to asymmetrical negotiations, it is anticipated that there is a greater prospect of the strong conceding while the weak prevail when the strong request concessions that are evaluated by the weak as protection against intermediate probability contingencies while those of the weak are evaluated by the strong as protection against either extreme or low probability contingencies.

2f) Conditions Favouring Risk-seeking Escalation

Risky escalation resulting from the negative evaluation of a reference point deviation is particularly likely if: i) future loss is perceived to be certain in the absence of corrective action; ii) past loss has recently occurred; iii) negative image and motive or stereotype attributions are attached to an opponent; iv) coercive tactics engender the perception that opponent behaviour is not "fair"; and v) coercive tactics change the status quo in terms of utilities due to the reputational or political costs they impose on both focal and target negotiators. Finally, escalation is most likely if one or more negotiators is subject to one or more of these effects. In cases of asymmetrical power, it is more probable that the weak will prevail while the strong concede when the weak are subject to the influence of conditions encouraging escalation while the strong are immune to such influence.

This chapter has: i) provided a brief explanation of EUT axioms on decision-making under risk; ii) described how prospect theory accounts for systematic deviations from those axioms; and iii) described relationships between risky choice effects and several behavioural phenomena identified in the negotiation literature. On the basis of that description, the chapter hypothesized how prospect theory may influence negotiator behaviour in cases of asymmetrical power. The paper now proceeds, in chapter three, to a test of these hypotheses.

Endnotes

1. EUT is based on three axioms of rationality. First, the expectation axiom holds that the overall utility of a prospect is the expected utility of its outcome. Second, the asset integration axiom holds that a prospect is acceptable if the utility resulting from integrating the prospect with current assets exceeds the utility of those assets alone. Third, the risk-aversion axiom holds that risk-aversion occurs when a person prefers the certain prospect (x) to any risky prospect with the expected value x (Kahneman and Tversky, 1979: 263-264).

2. The maximization of expected utility can occur in the domain of gains, where expected gains are maximized, or in the domain of losses, where expected losses are minimized.

3. The editing phase consists of six major operations. Together transforming the outcomes and probabilities that are associated with each prospect, these operations contradict the EUT assumption that choice between risky prospects is determined by final asset positions. The following is a brief elaboration of each of the major operations.

First, the Coding operation indicates that an actor will normally perceive outcomes in terms of gains or losses rather than as final states. These gains and losses are defined relative to a neutral reference point which generally corresponds to an actor's current asset position. However, the location of the reference point and the consequent coding of outcomes can be affected both by the external formulation of the problem and by the personal predilections of the decision-maker.

Second, the Combination operation indicates that an actor will simplify prospects by combining the probabilities associated with identical outcomes. For example, the prospect (200, .25; 200, .25) will be reduced to (200, .50) and evaluated in this form.

Third, the Segregation operation indicates that an actor will segregate a riskless component of a prospect from a risky component in the evaluation phase. For example, the prospect (300, .80; 200, .20) is naturally decomposed into a sure gain of 200 and the risky prospect (100, .80).

Fourth, the Cancellation operation indicates that an actor will disregard or discard components that prospects share in common while focusing on those that distinguish them. For example, a choice between (200, .20; 100, .50; -50, .30) and (200, .20; 150, .50; -100, .30) can be reduced by cancellation to a choice between (100, .50; -50, .30) and (150, .50; -100, .30).

Fifth, the Simplification operation indicates that an actor will round probabilities or outcomes. For example, the prospect (100, .49) is likely to be

recoded as an even (100, .50) chance to win 100. A particularly important form of Simplification involves the discarding of extremely unlikely outcomes.

Sixth, the Detection of Dominance operation indicates that an actor will scan prospects to detect dominated alternatives which are then rejected without further evaluation (Kahneman and Tversky, 1979: 274-275).

4. The emphasis on reference point deviations as the carriers of utility does not imply that the value of a particular change is independent of initial position. Rather, value should ideally be treated as a function of both the asset position that acts as the reference point and the magnitude of the deviation from that point. However, Kahneman and Tversky have found that the preference order of prospects is not greatly affected by small or even moderate variations in asset position. Hence, the representation of value as a function of reference point deviation is generally satisfactory (Kahneman and Tversky, 1979: 277).

5. An essential feature of prospect theory is the assumption that deviations from a reference point, not final states, are the carriers of value. This assumption is compatible with basic principles governing perception and judgement. That is, our perceptual apparatus is attuned to the evaluation of changes or differences rather than to the evaluation of absolute magnitudes. For example, it is easier to distinguish between a temperature change of 3 degrees and 6 degrees than it is to distinguish between a change of 13 degrees and 16 degrees. The same principle applies to non-sensory attributes such as wealth since, depending upon current asset position, the same level of wealth may simultaneously imply abject poverty for one person and great fortune for another. Kahneman and Tversky thus propose that the difference in value between a gain of \$100 and a gain of \$200 is treated as greater than the difference in value between a gain of \$1,100 and a gain of \$1,200. Similarly, the difference in value between a loss of \$100 and a loss of \$200 is treated as greater than the difference in value between a loss of \$1,100 and a loss of \$1,200. On the bases of both these insights and experimental research, Kahneman and Tversky hypothesize that the marginal value of both gains and losses generally decreases with their magnitude (Kahneman and Tversky, 1979: 277-278).

6. The proposition that each additional unit of gain causes a smaller change in value than the preceding unit of gain is compatible both with basic principles governing perception and with the common impression that the difference in value between a gain of \$100 and a gain of \$200 is more significant than the difference in value between a gain of \$1,100 and a gain of \$1,200 (Kahneman and Tversky, 1979: 277).

7. The proposition that each additional unit of loss causes a smaller change in value than the preceding unit of loss is compatible both with basic principles governing perception and judgement and with the common impression that the difference in value between a loss of \$100 and a loss of \$200 is more significant than the difference in value between a loss of \$1,100 and a loss of \$1,200 (Kahneman and Tversky, 1979: 277).

8. Kahneman and Tversky support the hypothesis that the value function is steeper for losses than for gains with reference both to common beliefs and several studies of decision and judgement. For instance, it is commonly held that the displeasure associated with losing a sum of money is greater than the pleasure associated with winning an equivalent sum. This impression is supported by studies whose results indicate that most people will not accept symmetric bets of the form $(x, .50; -x, .50)$. It has also been found that aversion to symmetric fair bets normally increases with the size of the stake. Hence, if $x > y \geq 0$, then $(y, .50; -y, .50)$ is preferred to $(x, .50; -x, .50)$ (Kahneman and Tversky, 1979: 279; Tversky and Kahneman, 1981: 454).
9. Decision weights are not probabilities and do not obey the probability axioms. Instead, they measure the impact of probabilities on the desirability of prospects, and not simply the perceived likelihood of probabilities. The two scales coincide (i.e., $^*(p) = p$) only if the expectation principle holds (Kahneman and Tversky, 1979: 280).
10. By underweighting intermediate probabilities, the probability-weighting function underweights probabilities over most of their range. This is consistent with evidence that individuals are not as sensitive to probabilities as EUT predicts (Levy, 1994: 14).
11. Kahneman and Tversky note that the apparent discontinuities of the probability-weighting function at its endpoints are consistent with the notions both that there is a limit to how small a weight can be attached to an event and that an upper limit could be imposed on any weight that is less than unity (Kahneman and Tversky, 1979: 282).
12. The supposition that people tend to differently evaluate the complete elimination of risk as opposed to the reduction of risk by a comparable amount is supported by the finding that, in a hypothetical game of Russian roulette, people are willing to pay far more to reduce the number of bullets in a revolver from 1 to 0 than from 4 to 3 even though the change in expected utility is the same. Similarly, it has been found that people are also willing to pay far more to reduce the risk of a catastrophic event from .10 to 0 than from .20 to .10. These forms of behaviour are contrary to the expectation rule of EUT, i.e. the rule that the utilities of various outcomes are weighted linearly by their probabilities (Quattrone and Tversky, 1988, quoted in Levy, 1994: 11).
13. There are two main reasons why the properties of the value and probability-weighting functions are not universal. First, no single function can describe the preferences of all individuals since people naturally differ in their attitudes toward risk. Second, special circumstances can affect preferences. For example, an individual's aversion to loss may increase sharply near the critical value that would force a substantial change in her way of life. Similarly, the utility function of an individual who needs a certain amount of gain may increase sharply near the critical value which would deliver that amount to her. Hence, the derived value (utility) function of an individual does not always reflect "pure" attitudes toward gains and

losses since it could be affected by additional consequences that are associated with particular amounts of gain or loss (Kahneman and Tversky, 1979: 278).

14. People commonly adopt minimal accounts for the evaluation of compound outcomes because this mode of framing i) reduces cognitive strain by simplifying evaluation; ii) reflects the intuition that consequences should be causally linked to acts; and iii) matches the properties of hedonic experience, which is less sensitive to steady states than to desirable and undesirable changes (Tversky and Kahneman, 1981: 457).

15. To illustrate that preferences are affected by whether the existing balance in an inclusive account is coded as positive or negative, Kahneman and Tversky offer a prospect theory based analysis of the observation that long shot bets are most popular on the last horse race of a day. Their analysis concerns the choice faced by an individual who has spent an afternoon at a race track, has already lost \$140, and is considering a \$10 bet on a 15:1 long shot in the last race. This decision can be framed and evaluated in terms of either a minimal or an inclusive account, each of which corresponds to a natural reference point. If a minimal account is adopted, the reference point is a neutral balance of \$0 and the outcomes of the bet are coded as a possible gain of \$140 and a certain loss of \$10. If an inclusive account is adopted, the reference point is a negative balance of \$140, for the betting day, and the outcomes of the bet are coded as a possible return to the neutral reference point of \$0 or as a certain loss of \$150. Prospect theory implies that the latter frame will produce more risk-seeking than the former since people are risk-averse in the domain of gains and risk-seeking in the domain of losses. Hence, people who do not adjust their reference point as they accrue losses are expected to take risks that they would otherwise find unacceptable (Kahneman and Tversky, 1981: 456).

16. Numerous authors have maintained that several limitations attend the effort to utilize prospect theory for empirical analysis. (For detailed treatments of the conceptual and methodological issues which render the application of prospect theory to empirical analysis difficult, see: Card, 1993; Levy, 1993; Stein, 1992; Taliaferro, 1993).

17. While scholars have attempted to devise models of framing and frame changes, few have specifically devoted a work to those particular tasks. (For a discussion of the various models of frames and frame changes that have been suggested by international relations scholars, see Taliaferro, 1993: 6-7).

18. In addition to the influence of simplification operations, the tendency to adopt a fixed-pie orientation has also been considered the result of competitive societies creating the belief in a win-lose situation. Fixed-pie orientations may thus be the product of a "nature-nurture" interaction. Regardless, the predominance of the tendency to approach negotiations with a fixed-pie perception has been both documented and used to explain a variety of economic and political conflicts

(Bazerman, 1983; Bazerman, Magliozzi, and Neale, 1985; Bazerman and Neale, 1991).

19. The hypothetical case of two sisters battling over an orange illustrates the advantages of integrative solutions over distributive ones. Suppose one sister wants the orange for juice while the other wants the orange peel for a cake. A distributive solution would involve splitting the orange (joint losses) while an integrative solution would involve giving one sister all the juice and the other sister all the peel (joint gains) (Bazerman, 1983; Pruitt, 1981; and Raiffa: 1982).

20. The supposition that whether a negotiation problem is framed in terms of gains or losses will differently affect the incentive to compromise has been supported by the results of laboratory studies (Bazerman, Magliozzi, and Neale, 1985).

Chapter Three

This chapter examines the hypotheses developed in chapter two in three cases of asymmetrical negotiation wherein "the weak prevailed while the strong conceded." A longitudinal examination of the hypotheses is prohibited by considerations attending movement throughout the negotiation process. Specifically, focal actors' gain/loss evaluations were continuously affected by tactical manoeuvres. Understanding how the evolutionary interplay between structural power and behavioural power affected concessionary behaviour thus demands that the hypotheses are applied in a case-by-case fashion. Toward that end, each case is presented separately with movement throughout the negotiation process analyzed in terms consonant with the chapter two hypotheses. Since analysis depends upon determining actors' frames, scholarly statements signifying actors' reference points are employed as the operational indicators guiding analysis. Given the confines of this chapter, a summary of the findings is included in the conclusion to this paper in chapter four.

The Brazilian Informatics Dispute

Brazilian reactions to Reagan's Independence Day salutations ranged from "...cold fury to hot outrage" (Odell and Dibble, 1988a: 11). A defiant President Sarney publicly stated that Brazil would not compromise its principles in the face of U.S. threats while a humiliated Reagan countered with an announcement that the

USTR had begun to prepare a retaliation plan (Bastos, 1994: 383; Evans, 1989: 226). Given both the issues which each leader associated with the Informatics Technology (IT) policy and the fact that the policy in its entirety was the subject of focus, it appears that Reagan had adopted a single-value reference point from which the status quo was evaluated as unacceptable while Sarney held a single-value reference point from which the status quo had been evaluated as acceptable and static until the 301 action had rendered it acceptable yet unstable. Together with escalation from rhetoric-driven losses to reputation and subsequent negative image, motive and stereotype attributions, the reference points implied that: i) each was situated in the domain of loss; ii) each was evaluating the IT case from the perspective of an inclusive account in which the present balance was negative; and iii) each considered future loss certain in the absence of corrective action.¹ With each President thereby evaluating certain and immediate loss from concession, the subsequent power from commitment clash would have been cut short by the United States' superior structural powers.

The prospect of the weak prevailing was quickly bolstered by the entrance of two additional actors. First, concern with participation in the Brazilian IT sector encouraged U.S. capital to initiate an inter-industry dialogue favouring ad hoc accommodation. American multinational enterprises (MNEs) had thus offered Sarney a capital alliance that would both deprive the USTR of a constituency and ensure that it was "business as usual" under the IT policy (Evans, 1989: 226-227). Second, concern with Brazilian democracy and the debt crisis led officials at the U.S.

State Department to override USTR authority through assuring Brazil that the U.S. did not seek changes in the IT law per se, would not impose a deadline for resolution, and was not threatening retaliation (Odell and Dibble, 1988a: 13).

A number of considerations suggest that the new entrants' actions affected significant shifts in the Brazil-U.S. power balance. First, private capital's singular concern with the IT case had led it to adopt a single-value reference point while the State Department's concerns had translated into the adoption of reference points on both Brazilian democracy and debt repayment. As had been made clear by their actions, both new entrants had held acceptable and static status quos as their reference points. Since those status quos had been rendered unstable by Reagan's 301, both considered the IT case from the perspective of an inclusive account whose balance was negative.² Thereby evaluating that loss avoidance demanded a restabilization of the IT status quo, each of the new entrants had deployed its structural resources in a manner which contradicted the USTR's 301 ambitions. More specifically, each of the powerful new actors had exhibited risk-seeking tendencies against the USTR and altered the balance of U.S. intra-state forces. The new entrants' actions thereby affected a shift in the Brazil-U.S. power balance as Sarney was able to remain convinced that he headed a coalition which would not concede while the USTR was confronted with an intra-U.S. balance which indicated that its coalition would concede (Evans, 1989: 226-227). Risk-seeking on the part of actors associated with the strong had thus served to empower the weak at the expense of the strong.

A second consideration suggesting that the new entrants' actions had affected a shift in the Brazil- U.S. power balance concerns stereotyping and image and motive attributions. Private U.S. capital's resource deployment in pursuit of an ad hoc accommodation suggested that it not only exhibited risk-seeking tendencies against the USTR but both positively stereotyped and attributed "good faith" to the Brazilians.³ Private capital's consequent risk-averse tendencies toward Brazil thereby account for the second instance of a shift in the Brazil-U.S. power balance. Specifically, the USTR was disempowered by the existence of a powerful U.S. actor who both positively stereotyped and attributed "good faith" to the Brazilians while Sarney remained empowered by a Brazilian consensus on the negative characterizations attributed to the United States. An actor associated with the strong had thus empowered the weak at the expense of the strong through simultaneously exhibiting risk-seeking tendencies against the strong and risk-averse tendencies toward the weak.

The new entrants affected a third shift in the Brazil-U.S. power balance through the impact which their actions exacted on Sarney. First, State's assurances reversed the reputation losses which Reagan's threat had imposed on Sarney.⁴ Second, both State's assurances and the inter-industry alliance implied that the status quo might return to stability since State and U.S. private capital could together affect a significant shift in the balance of U.S. forces.⁵ The new entrants' actions thus allowed Sarney to evaluate that negotiations might affect movement toward a restabilization of the status quo. In other words, the new entrants' actions had made

it possible for Sarney to negotiate (Odell and Dibble, 1988a: 13). They had not, however, affected either Sarney's inclusive account or, thereby, his risk-seeking and escalation tendencies since the possibility of status quo restabilization was merely a possibility.

In late summer 1986, Paris was the scene for the first two negotiating sessions. Although the first meeting was uneventful, events behind the scene warrant comment on two fronts. First, Sarney revealed a tactic on which he relied throughout the negotiation process when, on the eve of the talks, Brazil promised approval for a joint venture between its Grupo Gerdau and America's International Business Machines (IBM) (Bastos, 1994: 387). In so doing, Sarney's exercising of behavioural power had no doubt invigorated both the positive stereotype and "good faith" image held by U.S. private capital while offering them tangible assurance that ad hoc accommodation entailed gain from movement toward the previous status quo. In contrast with the threat of loss from an acceptable status quo made unstable by the threat of sanctions, Sarney had likely succeeded at furthering both private capital's risk-seeking tendencies toward the USTR and its risk-averse tendencies toward Brazil. Second, the threat of sanctions brought still more U.S. players into the game such that American MNEs across a variety of sectors railed that U.S. sanctions against Brazil would severely undercut their global competitiveness (Odell and Dibble, 1988a: 15). As was the case with the IT MNEs, these players' reference points demanded loss avoidance through a return to the previous IT status quo.⁶

Bolstered by the USTR's lack of a constituency and hence power of commitment, Brazil prevailed at the first meeting.

At the second meeting, USTR representative Clayton Yeutter presented an agenda which no longer sought the eradication of the IT policy in its entirety. The agenda reflected the USTR's need for a constituency by addressing only those practical problems faced by IT MNEs already operating in Brazil (Evans, 1989: 228). Yeutter advanced four complaints, each addressed by his counterpart, Paul Tarso Flecha de Lima. First, Yeutter stated that the law prevented U.S. firms from both entering into joint ventures and modernizing their facilities. Flecha de Lima replied that the law was "in principle" untouchable but offered to create a meaningless bilateral, ad hoc group to address specific complaints on the investment issue (Odell and Dibble, 1988b: 1). Second, Yeutter asked for a "positive" list of all products covered by the law. Replying that such a list contradicted the "purpose" of the law, Flecha de Lima offered a "negative" list of those products that were not covered at the present time (i.e., he offered nothing on market access) (Odell and Dibble, 1988b: 1).

Yeutter's third objective concerned administrative reform. Specifically, he wanted the handling of import requests by the Special Secretariat of Informatics (SEI) to be made both more transparent and appealable. Flecha de Lima offered the same ad hoc group mechanism he had proposed on the investment issue for the same reason that the law was "in principle" untouchable (Odell and Dibble, 1988b: 1). Yeutter's final goal concerned copyright protection for software according to the

norms of the Berne Convention. Flecha de Lima noted that such a guarantee was an impossibility since it would contradict the "purpose" of the law, although he stated that Brazil would endeavour to implement "some sort" of software law (Odell and Dibble, 1988a: 7; Odell and Dibble, 1988b: 1-3). Brazil had thus prevailed at the second meeting for those same reasons it had prevailed at the first meeting. Specifically, the balance of forces in each country demanded loss avoidance through stabilizing the status quo such that Brazil was empowered through the power of commitment afforded by a unitary coalition which would not concede while the USTR was disempowered by the opposite circumstance.

With respect to the details of the second meeting, Flecha de Lima's responses suggest that he had not evaluated the 301 as a multi-value outcome which demanded the adoption of either a risk-averse single frame or risk-seeking separate frames. Instead, his constant references to the "principle" and "purpose" of the law indicate that he continued to frame the 301 as a single-value outcome from whose reference point any movement on the IT policy was evaluated as a loss. Contrarily, Yeutter's decomposition of the issues conjoined with Flecha de Lima's uniformly meaningless "offers" to suggest that: i) he had adopted multiple reference points; ii) each issue was evaluated with respect to a reference point from which the IT policy was evaluated as unacceptable; and iii) further negative deviation was the anticipated consequence of the circumstances he confronted (i.e., Flecha de Lima's "offers"). Yet, both because Yeutter had not prioritized his objectives and because Flecha de Lima had offered him nothing on any of the issues, it is impossible to determine

whether Yeutter was moving toward either a risk-averse single frame or risk-seeking separate frames. Nevertheless, both the multiplicity of current negative reference point deviations and the anticipation of future loss from their continued deviation suggest that the USTR possessed the power of commitment. If the USTR could stimulate a power of commitment and hence a will to deploy structural resources amongst the balance of U.S. forces, Brazil would no longer prevail as it had at the first and second meetings.

The Paris meetings had ended just prior to the one year anniversary of the 301, thereby forcing Reagan to decide whether the U.S. was willing to use its structural powers to force Brazilian capitulation through the imposition of crippling sanctions. In an effort to deprive the U.S. of that will, Sarney revealed yet another tactic on which he relied throughout the negotiation process. In a speech at the United Nations, Sarney made clear the following: i) economic hardship imperiled Brazilian democracy; ii) Brazilian democracy would not be sacrificed in the interest of debt payments; and iii) the U.S. and world banking systems were at the mercy of Brazil's economic and political stability (Landy, 1990: 2). In other words, Sarney made clear that Brazil was willing to deploy its structural resources, or lack thereof, should the Brazilian economy suffer any further blows. Sarney's latest use of behavioural power was as successful as his last; the crucial importance of both Brazil's upcoming elections and its willingness to repay its debt effectively served to ensure that the balance of U.S. forces was not committed to the imposition of sanctions. Specifically, American banks, and the U.S. State Department, Treasury

and Federal Reserve together argued that sanctions would severely harm America's geopolitical interests in Latin America while bankrupting both the U.S. and world economies (Evans, 1989: 230; Evans, 1990: 222; Odell and Dibble, 1988a: 5).

Given both their concerns and the implications of Brazilian impoverishment, those actors who joined the pre-existing U.S. anti-retaliation coalition may be characterized as having held as their reference point a status quo which they evaluated as both acceptable and static (i.e., democratic Brazil was paying its debt). For these actors, the threat of U.S. sanctions clearly entailed loss by rendering that status quo acceptable yet unstable. Moreover, they likely evaluated a U.S. failure to impose sanctions as protection against an extreme probability of Brazilian default given both Brazil's intense commitment to the IT policy and the fact that its ability to repay its debt was already questionable in light of its economic and political fragility (Evans, 1989: 230-231). Finally, the range of significant actors and issues meant that Reagan would have had to balance the anti-retaliation forces against the USTR. The "balance" would have resulted in a risk-averse single frame since the failure to impose sanctions would yield loss on the 301 value-dimension but yield gain on more highly prized value-dimensions through promoting movement toward the acceptable and static status quo reference points of: i) Brazil remaining democratic and paying its debt; ii) Brazil accommodating IT MNEs in an ad hoc fashion; and iii) Brazil continuing market relations with MNEs outside the IT sector. Given these circumstances, it is not surprising that the "balance" of U.S. forces was committed to no retaliation (Evans, 1989: 229-230). Sarney had thus again prevailed

through the use of behavioural power. Most importantly, he had prevailed by suggesting that he would use his structural resources, or lack thereof, in a way which served both to affect the range of actors and issues involved in the IT case and to thereby deprive the U.S. of the power of commitment. In other words, Sarney's willingness to deploy his structural resources had deprived the U.S. of a willingness to deploy its structural resources.

Having gained a reprieve from the threat of U.S. retaliation, Brazil immediately set to work at ensuring that the next meeting was as meaningless as the last two. Toward that end, SEI formalized approval of the Grupo Gerdau-IBM joint venture while the Brazilian government began to implement the meaningless "offers" it had made at Paris (Eden, 1990: 6; Odell and Dibble, 1988b: 4). On December 14 1986, Brussels was the site for the next meeting. The U.S. brought to the table those same concerns it had presented at Paris. The Brazilians arrived with the announcement that they considered the IT case closed now that they had delivered all of the concessions promised by them at Paris (Bastos, 1994: 384). The Brussels round ended in a spirit reminiscent of the Paris rounds. The U.S. received nothing because Brazil had given nothing.

The Brussels round indicated that: i) Brazil had remained empowered by the existence of a unitary coalition which would not concede; and ii) Brazil continued to believe that the USTR remained disempowered by a single frame in which the failure to impose sanctions yielded loss on the 301 value-dimension but yielded gain on a

number of highly prized value-dimensions. In other words, Brazil evaluated that the balance of forces in both countries remained committed to no retaliation.

In actuality, the U.S. balance appeared to be shifting in favour of sanctions. Most important, a key restraint on U.S. retaliation had been removed with the passing of the Brazilian elections. Since the victorious democrat Sarney had not succumbed to extremist pressures that he renunciate Brazilian debt payments, the election results suggested that the probability of Brazilian default was no longer extreme should the U.S. choose to impose sanctions (Odell and Dibble, 1988b: 6). Moreover, the USTR had inadvertently succeeded at providing itself with a constituency as industry associations reported that no software bill was better than the bill occasioned by USTR pressure at Paris (Odell and Dibble, 1988b: 6). The IT MNEs thus evaluated that Brazil was in the midst of creating a static status quo on software, a status quo entailing negative deviation from the currently acceptable yet unstable status quo.⁷ As the new deadline approached, it thus appeared that the U.S. might finally possess the willingness to deploy its structural resources in a way capable of forcing Brazilian capitulation. That is, it "appeared" that the U.S. might finally impose sanctions since it "appeared" both that the range of issues competing for single-value outcome prioritization had significantly narrowed and that the majority of those actors who remained involved in the IT case might have become committed to forcing Brazilian compliance.

Appearances are often deceiving. On December 30 1986, President Reagan not only deferred retaliation but suspended those parts of the 301 concerned with

market access and administrative procedures (Bastos, 1994: 384). Relying on those same deployments of behavioural power so successfully utilized in the past, Brazilian tactics were once again partly responsible for the lack of U.S. willingness to deploy its structural resources. First, Flecha de Lima publicly announced that U.S. sanctions would be met by Brazil shifting its \$100 million worth of coal imports from poverty-stricken West Virginia and its \$500 million worth of computer imports from the U.S. (Odell and Dibble, 1988b: 5). It is unlikely that these comments were aimed directly at the administration. That is, it is unlikely that Brazil was attempting to use the issue-specific power derived from its attempt to create an alternative (i.e., shifting coal and computer imports) against the administration since the size and diversity of the U.S. economy granted the administration an immense margin of superiority in terms of both aggregate structural power and the issue-specific power associated with its alternative (i.e., U.S. non-participation in the Brazilian economy). Rather, Brazil had once again relied on behavioural power. The threat to deploy Brazil's structural power was clearly a tactic intended to wield an indirect influence by transiting through the targeted domestic constituencies. The constituencies were listening (Odell and Dibble, 1988b: 5).

The second set of forces behind the U.S. concessions were identical to certain of those forces which had informed its previous decision to forego retaliation. Specifically, the election results had not substantively altered the reality of Brazil's economic and political crises. In the period following the announcement of the IT case, Brazil's trade surplus with the U.S. had been cut in half, its foreign reserves

virtually depleted, its ability to service its debt increasingly jeopardized, and its political stability further undermined. American banks, and the U.S. State Department, Treasury and Federal Reserve were thus not former IT players but, instead, were increasingly vocal IT players (Evans, 1989: 230-231).

Given both the ongoing presence of those state and private capital actors who had comprised the U.S. anti-retaliation coalition at the last deadline and the emergence of new players due to the Brazilian counter-threat aimed at West Virginia, the number of single-value outcomes competing for prioritization had not decreased but instead increased. Moreover, the new players would have adopted the same IT reference point as had the older players, restabilization of the acceptable and static IT status quo, since their previously acceptable and static status quo reference point (Brazilian coal imports) had also been rendered acceptable yet unstable by the 301. Finally, the IT MNEs' commitment to U.S. sanctions was not all that profound since experience indicated that a flawed law could be accommodated for in an ad hoc manner (Odell and Dibble, 1988b: 5). For all members of the anti-retaliation coalition, the failure to impose U.S. sanctions would thus act as protection against the extreme probability of loss from either Brazilian retaliation or the disappearance of a democratic Brazil paying its debt. In other words, the failure to impose sanctions would be viewed as movement away from acceptable yet unstable status quos and as movement toward the acceptable and static status quos which they held as their reference points.

2

PM-1 3 1/2" x 4" PHOTOGRAPHIC MICROCOPY TARGET
NBS 1010a ANSI/ISO #2 EQUIVALENT

PRECISIONSM RESOLUTION TARGETS

In sum, risk-seeking loss avoidance and escalation tendencies together implied that both countries would pursue movement toward their opposing reference points. Several considerations suggest that Canada could not have prevailed at this time. First, Reagan too was empowered by a susceptibility to escalatory forces. Second, Reagan's opposition to environmental regulation implied that he too possessed the power of commitment. Third, Canada possessed no issue-specific power respecting the availability of alternatives since U.S. controls were the only means by which to combat acid rain originating in America. Fourth, the U.S. possessed issue-specific power respecting the availability of alternatives since its alternative, inaction, was possible because: i) Canada lacked aggregate structural power; ii) Reagan opposed controls; and iii) anti-control Congressional representatives were strategically located.¹⁷ Finally, the U.S. possessed superior aggregate structural resources. Under this confluence of power resources, it was clear that the weak would not prevail, nor would the strong concede.

Since Canada could alter neither the aggregate structural power asymmetry between the two countries nor the disparity accompanying the issue-specific power respecting alternatives, movement toward the Canadian reference point could only be affected through altering the United States' power of commitment.¹⁸ That is, movement toward the Canadian reference point could only be affected through altering Reagan's negative stereotype of Canada and/or affecting a value dimension concerning controls at the Presidential, and/or Congressional and hence Presidential levels.

consensus on IP standards for inclusion in the GATT. Since the 301 against Brazil was occurring simultaneously, "...it became almost a litmus test for this broad coalition" (Odell and Dibble, 1988b: 7).

Several important implications flow from developments in the American position on software protection. First, the "soaring" of the IP concern indicates that Yeutter considered IP a more highly prized value-dimension than the investment concern. Second, the characterization of the 301 case as a "litmus test" of both domestic unity and U.S. commitment to IP suggests that the proposed Brazilian software law was associated with costs to the United States' reputation at the international bargaining table. That is, it suggests that both Yeutter and his IP constituency had adopted a new reference point, U.S. ambitions at the GATT, and that the proposed Brazilian software law was therefore evaluated as completely unacceptable. Third, the "litmus" test characterization also suggests both that avoiding reputation and IP related losses would demand a commitment not to concede on the IP issue and that, therefore, Yeutter was indeed finally possessed of an empowering unitary coalition which would not concede.⁸

In striking contrast with Yeutter's recent empowerment, Flecha de Lima had lost his two previous sources of leverage. First, the powerful anti-retaliation coalition inside the U.S. was not only divided by the IP issue but broken up by developments inside Brazil. Specifically, a fatigued President Sarney had appeared on nationwide television in February 1987 to announce that Brazil was suspending interest payments to foreign commercial banks (Eden, 1994: 8). For American banks, and the U.S.

Treasury and Federal Reserve, a nightmare had become reality and they therefore no longer lobbied for U.S. restraint in the IT case (Odell and Dibble, 1988b: 7). Since State alone was the only significantly powerful actor now belonging to the U.S. anti-retaliation coalition, the balance of U.S. forces had dramatically shifted in favour of deploying U.S. structural resources to force Brazilian compliance. The President was thus no longer compelled to adopt a single frame wherein the failure to impose sanctions would yield loss on the 301 value dimension while yielding gain on more highly prized value dimensions through affecting movement toward multiple acceptable and static status quo reference points. Instead, gains associated with a failure to impose sanctions on the 301 value dimension were outweighed by losses associated with the more highly prized value dimension of U.S. credibility on the IP issue in the GATT forum. The consequent prioritization of single-value outcomes had thus resulted in a disaggregation of the multi-value outcome into risk-seeking separate frames.

In addition to disempowerment originating from the disappearance of a U.S. anti-retaliation coalition and manifesting in the United States' adoption of separate frames, Flecha de Lima was further disempowered by the disintegration of Brazil's seemingly unshakeable domestic commitment to the IT policy. Most importantly, Brazilian IT producers had by 1987 reached that stage of development where the absence of stringent IP features was ruining their businesses and they were, therefore, now lobbying for modification of the Informatics Law's IP provisions (Bastos, 1994: 394-395). In addition, Brazilian exporters were hysterical at the

prospect that the U.S. might finally impose sanctions and were forcibly arguing that the entire Brazilian economy should not be "held hostage" to the questionable interests of one sector (Bastos, 1994: 381).

With the breakdown of the coalition that had previously acted as a unitary actor committed not to concede on the IT case, Sarney was confronted with pressures from multiple actors holding multiple reference points. Specifically: i) Brazil's IT producers had adopted a reference point from which the IP provisions of the IT policy were evaluated as unacceptable and, therefore, they demanded loss avoidance through modification of the IP provisions; ii) Brazil's exporters had adopted status quo access to the U.S. market as their reference point and, therefore, they demanded loss avoidance through stabilization of that access; and iii) Brazil's military elite had adopted maintenance of the IT policy as their reference point and, therefore, they demanded loss avoidance through no modification of the IT policy. Importantly, however, the military had also stated that political stability was its primary concern (Odell and Dibble, 1988b: 9). Both because U.S. sanctions would undercut the economic viability upon which political stability depended, and because private capital now exerted an influence on Brazilian political life, the confluence of forces inside Brazil would have compelled Sarney to evaluate the 301 as a multi-value outcome wherein concession would yield loss on the value dimension associated with military support for the IT policy while yielding gain on the more highly prized value dimension associated with economic and political stability through affecting movement toward multiple reference points. The consequent prioritization

of single-value outcomes would have thus resulted in an aggregation of the multi-value outcome into a risk-averse single frame.

By mid-1987, the disappearance of a Brazilian unitary coalition committed to non-concession had conjoined with the emergence of a U.S. unitary coalition committed to forcing Brazilian compliance to affect both Brazilian disempowerment and U.S. empowerment. Events at the next IT meeting bore witness to this striking reversal in the power of commitment. On the eve of the latest U.S. deadline, Brazil conceded to satisfy U.S. demands on software protection (Odell and Dibble, 1988b: 9). The software concession represented the only "win" that the U.S. was ever able to claim in the 301 negotiations. The "win" was qualified, however, by Flecha de Lima's refusal to discuss the investment issue. The Brazilian refusal reflected the fact that although Sarney had prioritized the value dimensions associated with economic and political stability, he could not ignore the value dimension associated with military support for the IT policy. Investment had thus been safeguarded in the interest of averting military wrath.⁹ Despite Brazil's refusal to budge on the investment issue, Reagan suspended the IP portion of the 301 on June 30 1986 and merely directed Yeutter to continue his efforts on investment. Notably, the President did not set a new deadline on the investment issue. It seemed that the U.S. was content to leave the investment battle to another day as it had won the IP war (Bastos, 1994: 386). That is, it seemed that the U.S. had cancelled loss on the investment value dimension against gain on the more highly prized IP value dimension.

In reality, the U.S. had gained nothing. Two months later, SEI denied a request from the U.S. Microsoft Corporation and six Brazilian firms for a license to sell MS-DOS software in Brazil. SEI justified its decision on the grounds that a local equivalent had already been developed. Microsoft maintained that the "equivalent" was in fact a pirated copy of MS-DOS (Bastos, 1994: 386). U.S. informatics negotiators went through the roof and, when they returned, the IP coalition demanded U.S. retaliation (Odell and Dibble, 1988b: 11). Since those same evaluations which had informed the U.S. commitment to forcing Brazilian compliance on the eve of the last meeting were still operative, it is not surprising that Reagan announced trade sanctions against Brazil on November 13 1986. The sanctions included banning all imports of Brazilian computer products and punitive tariffs on \$105 million worth of other Brazilian exports (Eden, 1994: 8).

As had been the case with the United States, those evaluations that had informed Brazil's posture at the June meeting were still operative in November. Although declaring that U.S. sanctions would be met both with contestation under the GATT and the imposition of counter-retaliatory measures, Sarney nevertheless convinced the Brazilian Senate to approve a software law offering both a contraction of SEI's powers and more stringent controls against piracy (Odell and Dibble, 1988b: 12). While the software concession clearly reflected Sarney's privileging of the value dimensions concerned with economic and political stability, it may also be suggested that both that concession and the defiant declarations were yet another instance of Brazil attempting to substitute behavioural power for structural powers. Specifically,

another instance of Brazil attempting to deprive the U.S. of the power of commitment by stimulating the emergence of a U.S. anti-retaliation coalition and, thereby, shifting the balance of U.S. forces. Finally, the declarations were no doubt also intended to lessen the losses to Sarney's domestic political support, losses accompanying his "...knuckling under to foreign pressure in the writing of national law" (Odell and Dibble, 1988b: 9).

Despite Brazil's concession, the USTR called for the imposition of sanctions on the basis of the MS-DOS issue. The reason is simple:

Brazil, they felt, was conducting a clinic on how to bamboozle a distracted Washington--by pleading poverty and refusing all concessions, at the eleventh hour granting one millimetre, and subsequently reneging even on that (Odell and Dibble, 1988b: 13).

In other words, the USTR clearly both negatively stereotyped and attributed "bad faith" to Brazil, two characterizations favouring escalation over accommodation. Since the prioritization of the IP issue had been occasioned primarily by a concern for U.S. credibility in future trade negotiations, it is not surprising that the USTR's characterizations encouraged its contention that sanctions were critical to retaining such credibility (Odell and Dibble, 1988b: 13). According to the USTR, then, these characterizations should have reinforced the U.S. evaluation that gains associated with the failure to impose sanctions on the 301 value dimension were displaced by losses on the more highly prized value dimension associated with U.S. credibility at future trade negotiations. That is, the USTR evaluated that these characterizations

should have encouraged the balance of U.S. forces to continue disaggregating the multi-value outcome into risk-seeking separate frames.

Much to the USTR's consternation, Brazil's concession and defiant declarations had conjoined with additional considerations to once again deprive the U.S. of the power of commitment. While the new software law had robbed the USTR of its unitary IP coalition, the threat of counter-measures had prompted U.S. exporters in the IT and other sectors to again lobby against retaliation. Moreover, Brazil's recent flexibility in debt repayment negotiations encouraged American banks, and the U.S. Treasury and Federal Reserve to rejoin State in denouncing U.S. sanctions. The final "nail in the retaliation coffin" was then provided by Brazil when it reversed SEI's denial of the MS-DOS licenses (Odell and Dibble, 1988b: 13; Bastos, 1994: 387).

• Together with the breakdown of the IP coalition, the re-emergence of an anti-retaliation coalition composed of both state players and MNEs across multiple sectors had served once again to confront the U.S. President with numerous actors advancing myriad reference points. For those same reasons which had informed the respective players' reference points at either the September 1986 or December 1986 deadline, it is reasonable to assume that those points encouraged the evaluation that sanctions would entail loss from negative reference point deviation. The President thus once again had to balance the anti-retaliation coalition against the USTR. This time, however, the USTR had already realized gain on its privileged IP value dimension and was therefore devoid of a unitary coalition committed to forcing

Brazilian capitulation. The President must therefore have evaluated that losses on the U.S. credibility value dimension were outweighed by gains from movement toward reference points on a number of highly prized value dimensions (Evans, 1989: 232). In other words, the consequent prioritization of single-value outcomes must have resulted in an aggregation of the multiple value dimensions into a risk-averse single frame.

Despite USTR protests, the Reagan administration announced that it had retracted its threat of sanctions on February 29 1988. Did Brazil honour the IP concession it had made for the purpose of averting U.S. sanctions? Not when that "concession" conflicted with the "principle" of the IT law. The IT case thus continued to fester until 1992 when the Informatics Law expired on schedule, a schedule fixed at the time of its implementation.

The Canada-U.S. Acid Rain Dispute

Due to the environmental/economic costs associated with acid rain, Canada adopted emission controls as its acid rain reference point. From that reference point, the status quo absence of controls was evaluated as unacceptable such that risk-seeking loss aversion demanded movement toward securing an accord.¹⁰ Moreover, Canada's commitment to its reference point was beyond question given that the national consensus in favour of controls implied both that Canada evaluated the acid rain issue as a single-value outcome concerning controls and that Canada was behaving as a unitary actor who would not concede.¹¹

In addition to the risk-seeking tendencies encouraged by a negative reference point deviation, Canada was susceptible to the influence of five escalatory forces. Understanding those forces necessitates a brief digress outlining their origins. To begin, Canadian efforts at negotiating acid rain controls had been repeatedly frustrated from 1977 through 1980. Canadian hopes were then raised with the August 1980 conclusion of a Memorandum of Intent (MOI).¹² Signed in the midst of a Presidential campaign, however, Canada anticipated that a new U.S. government "...would not faithfully carry out [the MOI] agreement..." (Stewart, 1988: 76). While originating with frustration from 1977 onwards, Canadian pessimism respecting the MOI was then aggravated by its perceptions of the new U.S. President. Specifically, Reagan's list of Canada-U.S. "irritants" encouraged Canadians to anticipate that Canada-U.S. relations would significantly worsen under Reagan's stewardship (Munton, 1982: 3-4).¹³ In short, Canada had both been frustrated with the U.S. from 1977 onwards and anticipated still more frustration under the Reagan administration.

Together with negative reference point deviation, the above experiences and anticipations account for Canada's susceptibility to five interrelated escalatory forces. First, Canada's frustration from 1977 onwards suggests that it had continually suffered "recent" loss. Second, Canada's "recent" losses suggest that it evaluated the acid rain issue from the perspective of an inclusive account whose balance was negative. Third, both Canada's frustration from 1977 onwards and its pessimism respecting the MOI suggest that Canada attributed a "bad faith" image and motive

to America. Fourth, Canada's frustration from 1977 onwards, its pessimism respecting the MOI, and its perceptions of Reagan together suggest that it attributed a negative stereotype to the United States. Finally, all of the above together suggest that Canada considered future loss certain in the absence of the corrective action. In sum, Canada's efforts to affect movement toward its reference point were virtually destined to entail escalation.

While Canada's reference point on its single-value outcome is easily identified, the U.S. position is less readily determined. With respect to a value dimension concerning controls, the U.S. Environmental Protection Agency (EPA) attempted to force controls on Reagan in two ways. First, it had used the Bilateral Research Consultation Group's (BRCG's) January 1981 progress report to express U.S. commitment for controls (Munton and Castle, 1992: 371). Second, Administrator Costle had cooperated with the Canadian government at invoking section 115 of the 1977 U.S. Clean Air Act (CAA), a section authorizing the EPA to order revised air quality standards.¹⁴ Given the pressures for acid rain controls thereby embodied in the MOI, BRCG report and section 115 action, it might be expected that Reagan would have evaluated the acid rain issue as comprising a value dimension concerned with controls.

Rather than evaluating that the acid rain issue included a value dimension concerning controls, several considerations suggest that Reagan considered only an economic value dimension. First, he was committed to the environmental deregulation which he considered essential to economic health (Munton and Castle,

1992: 372). Second, he often made overtly anti-environmental statements.¹⁵ Third, after the "encumbrance" took office, he: i) appointed officials sharing his environmental "sentiments"; ii) "gutted" environmental initiatives; and iii) "crippled" the EPA.¹⁶ Clearly, Reagan evaluated the acid rain issue in terms of a single-value economic outcome.

With respect to his value dimension, Reagan's consideration that environmental deregulation preceded economic health implies that he adopted the absence of controls as his acid rain reference point. The status quo would therefore have been evaluated as acceptable given the absence of controls, yet unstable given the pressures for controls. For a consequently risk-seeking Reagan, avoiding loss from movement toward controls demanded movement toward stabilizing the status quo absence of controls.

In addition to risk-seeking tendencies from the unstable status quo, Reagan was susceptible to several escalatory forces. First, his list of Canada-U.S. "irritants" implied that he negatively stereotyped Canada. Second, the multiple pressures for controls implied that he had suffered recent loss since they yielded negative reference point deviation by destabilizing the otherwise acceptable status quo absence of controls. Third, the recent loss resulting from the destabilization of the status quo implied that he evaluated the acid rain issue from the perspective of an inclusive account whose balance was negative. Reagan's reference point thus both contradicted the Canadian point and enjoyed the support of competing escalation tendencies.

In sum, risk-seeking loss avoidance and escalation tendencies together implied that both countries would pursue movement toward their opposing reference points. Several considerations suggest that Canada could not have prevailed at this time. First, Reagan too was empowered by a susceptibility to escalatory forces. Second, Reagan's opposition to environmental regulation implied that he too possessed the power of commitment. Third, Canada possessed no issue-specific power respecting the availability of alternatives since U.S. controls were the only means by which to combat acid rain originating in America. Fourth, the U.S. possessed issue-specific power respecting the availability of alternatives since its alternative, inaction, was possible because: i) Canada lacked aggregate structural power; ii) Reagan opposed controls; and iii) anti-control Congressional representatives were strategically located.¹⁷ Finally, the U.S. possessed superior aggregate structural resources. Under this confluence of power resources, it was clear that the weak would not prevail, nor would the strong concede.

Since Canada could alter neither the aggregate structural power asymmetry between the two countries nor the disparity accompanying the issue-specific power respecting alternatives, movement toward the Canadian reference point could only be affected through altering the United States' power of commitment.¹⁸ That is, movement toward the Canadian reference point could only be affected through altering Reagan's negative stereotype of Canada and/or affecting a value dimension concerning controls at the Presidential, and/or Congressional and hence Presidential levels.

Movement toward Canada's reference point was occasioned by events inside America. Most generally, scientific reports indicated that citizens in the northeastern U.S. suffered those same acid rain costs that Canadians suffered. Thereby adopting U.S. controls as their reference point, these citizens both evaluated the status quo as unacceptable and demanded movement toward their reference point. Responding to popular pressure, the relevant Congressional representatives adopted their constituents' acid rain reference point and thereby created a value dimension concerning controls.¹⁹ In other words, the Congressional power of commitment for an acid rain reference point respecting U.S. controls both yielded negative deviation from Reagan's reference point by destabilizing the status quo and risked yielding such future negative deviation in the absence of "corrective" action. Thus forced to evaluate that the acid rain issue constituted a value dimension concerning controls, Reagan responded to Congressional pressure by conceding to negotiate with Canada.²⁰

Throughout the 1981 negotiations, Canadian commitment to its reference point was reflected in the demand for U.S. controls while the U.S. insistence on not deviating from Reagan's reference point was made clear by its refusal to move beyond "cooperative research" (Stewart, 1988: 68). It thus appears that although Congressional pressure had forced Reagan to evaluate the acid rain issue as a multi-value outcome comprising a control dimension, he had continued to prioritize his economic dimension.²¹ Since moving toward the imposition of controls would yield gain on the control dimension by "correcting" the future loss associated with further

destabilization of the status quo while yielding loss on Reagan's more highly prized economic dimension, Reagan would not cancel loss on the economic dimension against gain on the control dimension. He would, however, appear to do precisely that in order to avoid both loss on the control dimension from a further destabilized status quo and loss on the economic dimension from a status quo retreat.

Despite the duplicity of Reagan's "concession," a shift in the Canada-U.S. power balance had nevertheless occurred since northeastern citizens had both affected a Congressional and Presidential value dimension concerning controls and, thereby, denied Reagan the power of a unitary coalition which would not concede. They had thus empowered the weak at the expense of the strong by adopting a reference point coincident with the mechanism through which Canada sought movement toward its reference point.

Throughout 1982, Reagan's efforts to avoid loss from movement toward U.S. controls entailed both manipulating U.S. advocates and escalating conflict with Canada. With respect to U.S. advocates, Reagan officials exercised behavioural power in two ways. First, they attempted to affect the advocates' power of commitment to their reference point by manipulating their knowledge of acid rain.²² Second, they continued to appear to be negotiating with Canada for those same manipulative reasons they had appeared to negotiate in 1981 (Munton, 1982: 6; Munton and Castle, 1992: 373). Coincident with its determination merely to appear as though negotiating with Canada, the administration escalated the acid rain conflict in three ways. First, it frustrated the proceedings of the MOI working groups.

Second, it replaced those U.S. scientists working in the groups whom it considered "untrustworthy." Third, it re-wrote the "unacceptable" U.S. conclusions contained in the groups' reports (Munton and Castle, 1992: 373). In sum, the administration's attempt to avoid loss from a destabilized status quo clearly entailed both manipulating U.S. advocates and escalating conflict with Canada.

While Reagan's tactical manoeuvres targeting both U.S. control advocates and Canada reflected the same goal of avoiding loss from movement toward controls, the diverse nature of those tactics reflected the targets' differential abilities to affect a Presidential value dimension concerning controls. With respect to U.S. control advocates, their ability to affect a Congressional value dimension concerning controls translated into an ability to affect a coincident Presidential dimension since the representatives' membership in the political elite provided them with the resources necessary to directly generate loss from status quo destabilization. Loss avoidance thus demanded that Reagan pacify (manipulate) U.S. control advocates. By contrast, Canada's inferior aggregate structural power denied it that same leverage wielded by U.S. control advocates and, thereby, relieved the President of a need to avoid loss by pacifying (manipulating) Canada. The escalation of conflict with Canada is thus accounted for both by Canada's lack of aggregate structural power and by Reagan's escalation tendencies.

Reflecting its own escalation tendencies, Canada responded to Reagan's duplicity with behavioural power.²³ That is, Canada responded to Reagan's duplicity with tactical manoeuvres intended to affect an even stronger U.S. power of

commitment to that reference point on the control dimension which was coincident with the mechanism through which Canada hoped to move toward its reference point.²⁴ Canada and the administration were thus now engaged in a tit-for-tat behavioural power game whose tactical strikes were targeted at the U.S. value dimension concerning controls. If Reagan found Canada "irritating" in 1981, he would find Canada "maddening" in 1982.

Ranging from the inventive to the mundane, Canadian tactics targeting the U.S. value dimension concerning controls were aimed either directly at Congress or intended to transit through the public to Congress.²⁵ The unprecedented nature and scale of Canadian tactics served its intended purpose of strengthening the U.S. power of commitment to American controls both directly and indirectly. Directly, Canadian tactics both heightened the U.S. public's anxiety respecting the dangers of acid rain and succeeded at garnering media attention characterized by the theme that U.S. victimization of Canada was a moral violation of the otherwise "special friendship" (Barton, 1990: 76-77; Munton and Castle, 1992: 370). The tactics had thus both strengthened the power of commitment possessed by the pre-existing control coalition and added to the membership of that coalition. In consequence, the administration and its industry cohorts were now "maddened." Although their "maddened" reactions were clearly intended to discredit Canada, the "madness" of those reactions instead served to discredit them.²⁶ Canadian tactics had thus also indirectly strengthened the power of commitment possessed by U.S. control advocates' since the reactions of anti-control advocates had invigorated rather than

contracted their concern with movement toward the reference point concerning U.S. controls.

Canadian tactical success implied that Reagan had suffered recent loss from a further destabilized status quo. The consequent need for loss avoidance through a restabilization of the status quo became still more imperative in early 1983 for a number of interrelated reasons. First, Canadians continued to tactically target the U.S. value dimension concerning controls since the country remained both committed to its reference point and susceptible to escalatory tendencies (Golich and Young, 1992: 48-49). Second, the administration's credibility was further undermined when a series of U.S. reports confirmed Canadian scientific claims.²⁷ Third, the administration was increasingly characterized by the U.S. media as biased toward industry at the unethical expense of "victimized" Canada (Barton, 1990: 71-74). Finally, the U.S. public reacted to all of the above by offering ever greater support for U.S. controls (Golich and Young, 1992: 8). By mid-1983, Reagan was clearly suffering loss from an increasingly unstable status quo. He was thus even more susceptible to the escalation and risk-seeking tendencies born in 1981 given that Canada was largely responsible for the increasingly negative balance in his inclusive acid rain account.

Having learned from his 1982 blunder, Reagan did not attempt to contract U.S. control advocates' power of commitment through attacking Canadian credibility. Instead, he offered concessions intended to pacify both Canada and U.S. control advocates. First, the appointment of William D. Ruckelshaus as EPA head

represented a concession since Ruckleshaus rejected the findings of those scientists who supported Reagan's position that controls were premature (Stewart, 1988: 73). Second, the Presidential direction that Ruckleshaus make acid rain his first priority represented a concession given that Reagan had previously refused even to acknowledge that acid rain was problem (Stewart, 1988: 69). Third, the September meeting between Ruckleshaus and Canada's new Environment Minister, Charles Caccia, witnessed the stunning concession to prepare an acid rain policy within one month (Park, 1987: 205). Canadian hopes were dashed again, however, when Ruckleshaus cautioned not to expect U.S. controls in the foreseeable future and was soon removed from his post (Stewart, 1988: 69).

While the 1983 concessions implied that Reagan had learned the lesson of his 1982 blunder, their "value" implied that he had also learned the lesson of his 1981 "concession" to negotiate, i.e., the benefits of manipulation. Again confronting future loss from a destabilizing status quo, he continued evaluating the acid rain issue as a multi-value outcome. Yet because he still prioritized the economic dimension, he would not "correct" that instability by cancelling loss on the economic dimension against gain on the control dimension.²⁸ He would, however, once again appear to do precisely that in order to avoid both loss on the control dimension from a destabilizing status quo and loss on the economic dimension from a status quo retreat.

Even though Reagan's insistence on merely appearing to move toward controls implied escalating conflict with Canada, a shift in the Canada-U.S. power

balance was reflected by the fact that the escalation resulted from failed manipulation. Specifically, the 1983 tactical attempt to pacify Canada with the promise of an acid rain policy stood in stark contrast to the cavalier 1982 escalation following 1981's "concession." Choosing manipulation over cavalier escalation, Reagan had thus acknowledged Canada's "maddening" tactical ability to affect both a U.S. power of commitment to controls and, thereby, a Presidential value dimension concerning controls.

Throughout 1984, Reagan's insistence on merely appearing to move toward controls conjoined with Canada's thereby heightened escalation tendencies and power of commitment to affect a further deployment of Canadian behavioural power.²⁹ While continuing to rely on tactics targeting the U.S. control dimension, Canada escalated the tit-for-tat behavioural power game by internationalizing the acid rain conflict and thereby intentionally ridiculing the U.S. government at both the international and domestic levels.³⁰ Specifically, Canada both led the formation of the "30% club" from which the U.S. was excluded, and honoured the "club" agreement dictating that member states reduce their acid rain emissions by 30 percent (Golich and Young, 1992: 34, 46). Together with a series of alarming scientific reports, Canada's new array of tactics succeeded at generating "...a tide of support from within and beyond the U.S. for action rather than words..." (Park, 1987: 213).³¹

While international scorn was unlikely to affect Reagan's commitment to his reference point, the intra-U.S. power of commitment to an opposing reference point

confronted him both with loss from the destabilizing status quo and with loss from public outrage given that 1984 was an electoral year. Reflecting a consequently enlivened concern for the control dimension,

Reagan,...with a keen sense of when to throw concessionary crumbs to the snapping electorate, announced...that he was "moving towards" proposing additional steps that would curb acid rain... In one blow he bought off much public opposition to his inactivity and even looked like the emerging good guy with a cheap and effective solution..." (Park, 1987: 209).

While the dictates of electoral politics explain Reagan's increasing concern with the control dimension, they also explain his continued prioritization of the economic dimension. Specifically, "...the administration had carefully weighed the electoral strengths of the polluted and the polluting states and evaluated the latter as more influential (NYT, February 6 1984, p.11, quoted in Park, 1987: 210). Together with the fact that the former were suffering the environmental damages accompanying the absence of controls while the latter would suffer the economic costs of controls, the "emerging good guy" had relied on his favourite tactical weapon-pacification via manipulation- and predictably refused to impose controls throughout the remainder of 1984 (Park, 1987: 210). In other words, Reagan's announcement reflected the same series of evaluations that had informed his 1981 and 1983 decisions to appear as though moving toward controls.

Given its previous responses to Reagan "maintaining appearances," it might have been expected that Canada would now proceed to escalate the acid rain

conflict. Canada, however, had a new Prime Minister who prioritized a new acid rain value dimension. Specifically,

[at] the top of the Mulroney government's agenda was the negotiation of a free trade agreement with the United States; given this priority, Canada could not afford to continue the irritant of acid rain..." (Carroll, 1991: 23).

Canada now both shared Reagan's economic dimension priority and cancelled loss associated with movement away from its acid rain reference point against gain associated with movement toward its economic reference point. Canada consequently abandoned those tactics which had successfully contributed to a Presidential value dimension concerning controls, and retreated to pursuing its acid rain reference point through "quiet diplomacy" (Stewart, 1988: 70).

Although the leaders' similar prioritization of the economic dimension meant that "maddening" Canadian tactics ceased affecting U.S. status quo instability, their dissimilar evaluation of the control dimension meant that "quiet diplomacy" was not synonymous with a contracted Canadian power of commitment (Park, 1987: 213). Moreover, the U.S. status quo would have continued to destabilize even if Mulroney were not committed to an accord since Canada's 1982-1984 tactics had significantly invigorated both U.S. control advocates' power of commitment and their determination to affect a stronger Congressional and Presidential concern with the control dimension. Specifically, the northeastern states' power of commitment had by this point encouraged them to emulate both Canada's former willingness to

variously escalate the acid rain conflict and its previous tactic of announcing unilateral controls (Britton, Albin, and Paulson, 1988: 177; Park, 1987: 212).³²

While U.S. control advocates pursued their acid rain reference point by escalating conflict with the administration, Mulroney pursued his economic reference point by de-escalating Canada-U.S. tensions through goodwill "Shamrock Summits" (Munton and Castle, 1992: 374). Although the leaders' philosophical affinity and Canada's retreat to "quiet diplomacy" together implied the passing of escalation from negative stereotypes and "bad faith" image and motive attributions, recent events suggested that each leader nevertheless remained susceptible to numerous escalatory tendencies.³³ Reflecting both an ongoing commitment to its acid rain reference point and its remaining escalation tendencies, Canada waited until the eve of the summit to announce a specific plan for reducing its acid rain emissions by 50 percent. Minus the ridicule intention accompanying those escalation forces which had now passed, the 1982 purpose of announcing unilateral action informed the 1985 plan for such action. That is, the purpose of removing U.S. justification for inaction remained operative.

At the summit, Reagan responded to Mulroney's pressures by refusing to implement controls yet conceding both to publicly recognize acid rain as a "serious" problem and to appoint "special envoys" who would report back at the next summit. Together with Canada abandoning its extra-diplomatic tactics, this outcome meant that "[acid] rain action went on hold, a captive of the summitry schedule" (Munton and Castle, 1992: 374).

Bearing in mind both the leaders' divergent acid rain reference points and the fact that Reagan's economic reference point concerned environmental deregulation while Mulroney's economic reference point concerned free trade via Reagan's goodwill, the summit outcome clearly suggests that: i) both evaluated the acid rain issue as concerning economic and control value dimensions; and ii) both prioritized the economic dimension. For Mulroney, Reagan's acid rain acknowledgement and the envoy appointments together yielded loss from U.S. inaction on the control dimension while action "captivity" yielded gain from Reagan's goodwill on the economic dimension. For Reagan, his acid rain acknowledgement and the envoy appointments together yielded loss from status quo instability on the control dimension while action "captivity" yielded gain from U.S. inaction on the economic dimension. The summit outcome thus implied that each leader had cancelled loss on the control dimension against gain on his more highly prized economic dimension.

While it may seem that Mulroney's economic priority allowed Reagan to easily "win" the 1985 contestation over controls, three considerations suggest that the summit outcome unintentionally favoured Canada. First, the U.S. envoy further destabilized the status quo when he both discredited Reagan and invigorated public commitment to U.S. controls by stating that "...acid rain was serious, controls were necessary, and further delay could not be excused" (Park, 1987: 217). Second, U.S. control advocates also further destabilized the status quo when their evaluation that the summit outcome yielded recent loss led them to again emulate previous Canadian escalation tendencies and tactics. Specifically, the advocates: i) ridiculed

the administration both by filing lawsuits against the federal government and by publicly praising the President for his "masterly irresolution" of the acid rain issue (Park, 1987: 215-217); and ii) targeted public anxieties and thereby succeeded both at strengthening the power of commitment possessed by the pre-existing control coalition and, by concentrating on the former bystander states, at adding to the membership of that coalition (Golich and Young, 1992: 56). Finally, the fact that U.S. forces alone now affected status quo destabilization allowed Canada to reap the benefits of those previous tactics and escalation tendencies which had significantly contributed to the advocates' power of commitment while avoiding the counter-escalation costs associated with such tactics and escalation tendencies. In sum, the 1985 summit had inadvertently affected a shift in the Canada-U.S. acid rain power balance both by strengthening U.S. power of commitment to the acid rain reference point concerning U.S. controls and by de-escalating conflict between Canada and the Reagan administration.

Events at the 1986 summit both reflected and invigorated those shifts in the Canada-U.S. power balance affected by the previous summit. Most important,

Reagan, ever conscious of the growing public demand for U.S. action...accepted the need for immediate efforts to reduce [acid rain] at source (Park, 1987: 218).

In other words, an intensified power of commitment to the reference point concerning U.S. controls had so seriously destabilized the U.S. status quo that even Reagan conceded the need for implementing U.S. controls. Yet the fact that he simultaneously refused to implement the envoys' recommendations for implementing

controls suggests that he was once again merely appearing as though moving toward controls in order to avoid both loss on the control dimension from a further destabilized status quo and loss on the economic dimension from a status quo retreat.³⁴

Reagan's 1986 appearance was a truly stunning tactical blunder. Rather than avoiding loss from a further destabilization of the status quo, it acted as the agent of greater destabilization than Reagan could likely have imagined. First, his "...apparent change in attitude led a significant number of Republicans to support the concept of acid rain control" (Britton, Albin, and Paulson, 1988: 175). Second, "...his new-found commitment was seen as a much-needed help in breaking a serious impasse on acid rain control...in the U.S. Congress" (NYT, March 23 1986, p.22, quoted by Park, 1987: 218) since "...debate [now] focused on the nature of the measures to be adopted (Albin and Paulson, 1988: 119). In short, Reagan's apparent effort to avoid status quo destabilization had affected movement toward status quo retreat.

Building on the analysis developed throughout this case study, two considerations account for why Reagan's favourite tactic was destined to backfire. First, mere familiarity with his appearances had informed a steady disappearance of public faith in the President's credibility. Second, frustration with Reagan's appearances had generated the escalation tendencies informing those Canadian tactics which both significantly contributed to the rise of an intense U.S. power of commitment to controls and continually invigorated that commitment when emulated

by the resultant U.S. control coalition. Consequently, those actors whose reference point concerned U.S. controls were extremely likely to evaluate Reagan's latest "bad faith" appearance of movement toward their reference point as yielding both recent loss in an inclusive account whose balance was already negative and indicating future loss in the absence of corrective action. Together with the circumstance that both neutral actors and those who shared Reagan's reference point saw his apparent movement as refocusing the debate toward the type of measures to be adopted, Reagan's latest appearance was virtually guaranteed to yield greater loss from status quo destabilization than the absence of an appearance would have yielded. It was, then, a truly foreseeable tactical blunder.

Seemingly blind to his country's march toward status quo retreat, Reagan indicated at the third annual summit of April 1987 only that he would "...consider the Prime Minister's proposal for a bilateral accord on acid rain" (Munton and Castle, 1992: 375). That is, Reagan indicated that he continued to prioritize the economic value dimension and thus still evaluated that appearing to move toward controls would avoid loss both from a further status quo destabilization on the control dimension and from status quo retreat on the economic dimension. Just as those same considerations informing Reagan's 1986 tactical blunder had informed his repeat performance, the forces behind the 1986 aftermath remained operative in 1987. The consequently predictable momentum for strong controls continued to sweep through Congress (Britton, Albin, and Paulson, 1992: 176).

Evincing either spectacularly profound commitment to his acid rain reference point or spectacularly profound obliviousness, Reagan again attempted pacification via manipulation. Specifically, one of Reagan's many anti-environmental appointees wrote an executive summary to the National Acid Precipitation Assessment Program (NAPAP) interim report of 1987 which clearly implied that

the damage due to acidic deposition [was] largely unproven, slight and not widespread where proven, and probably not getting worse (Munton and Castle, 1992: 375).

Capping three years of constant duplicity and loss, the NAPAP report exhausted Mulroney's goodwill even though he prioritized his economic dimension. Canada's Minister of the Environment thus condemned the summary as "...designed to support the preconceived policy position that...control is not warranted" (Golich and Young, 1992: 44). Two other considerations further indicate both Canada's ongoing commitment to its acid rain reference point and, more importantly, its susceptibility to those five escalatory forces which had both informed its 1982 resort to "maddening" tactics and been re-cultivated throughout 1985-1987. First, Mulroney baldly told a U.S. audience that "[you] as a country are a major part of our problem..." (Golich and Young, 1992: 59). Second, Canada again adopted a series of tactics intended to affect the U.S. commitment to controls by transiting through the public to Congress and, thereby, "...provided U.S. proponents of a control program with a powerful ally" (Wilcher, 1989: 71).³⁵

Reagan refused to budge throughout 1988 even though the forces arrayed against his acid rain reference point included Canada, the U.S. control advocates

whose reference point and power of commitment Canada had significantly invigorated, and the U.S. advocates' increasingly numerous Congressional supporters whose own power of commitment was affected both by Canadian tactics and by the resultant advocates' emulation of those tactics. Together with the analysis provided throughout this case study, common sense explains Reagan's endurance. No longer needing to concern himself with the control dimension, a soon to be retired Reagan evaluated the acid rain issue from the perspective of the reference point he held on his consequently sole value dimension concerning economics. Reagan's "endurance" thus reflected the fact that he had nothing to lose by ignoring the control dimension.

While the President remained virtually oblivious to the raging acid rain conflict throughout 1988, his Vice-President and soon to be successor capitalized on public outrage with years of Reagan's anti-environmentalism by campaigning on the promise to be an "Environmental President" whose legislation would address such environmental ills as acid rain (Golic and Young, 1992: 59, 65). Campaign promises, Canada's ongoing invigoration of an enormous U.S. power of commitment to controls, and the fact that George Bush's electoral strength did not lie in the polluting states together affected a 1989 Presidential acid rain reference point respecting U.S. controls on the sole value dimension concerning controls (Wilcher, 1989: 69; Munton and Castle, 1992: 376). For the first time since 1980, the most important political figure in the United States evaluated that the failure to impose acid rain controls would yield immediate and certain loss.

Just as the former White House "encumbrance" was succeeded by a control advocate, powerful Congressional "reprobates" were similarly replaced by control advocates. Since these control advocates shared Bush's acid rain reference point on a coincident single value dimension, the demand for U.S. controls had thus been transferred to the upper echelons of the Congressional hierarchy.³⁶ Finally, Bush nominated William Reilly for EPA Administrator and thereby completed the process of removing important obstacles to U.S. controls since Reilly promised that provisions to control acid rain were included in his top priority of affecting CAA amendments (Golich and Young, 1992: 65). Given both the reconfiguration of the political elite and the public power of commitment to controls affected both by Canada's "maddening" tactics and by U.S. advocates emerging from and emulating those tactics, it was clear that President Bush would evaluate the U.S. as a unitary actor who would concede. Since Canada continued to behave as a unitary who would not concede, it was thus also clear that the "weak would prevail while the strong conceded."

In February 1989, Bush arrived in Canada with the announcement that the acid rain conflict was over. Bush would negotiate an accord with Canada on the basis of domestic controls which were "...larger than had been expected, or than industry and his budget advisors wanted" (Golich and Young, 1992: 66). Domestic controls were implemented in fall 1990 and within months the text of a Canada-U.S. Air Quality Agreement had been initialled. Following the cessation of Gulf War hostilities, the accord was formally signed in March 1991 at Ottawa. After 8 years

and 7 months of negotiations. Canada and the U.S. had finally settled the acid rain conflict. That is, after 8 years and 7 months of Canadian persistence, "the weak had prevailed while the strong conceded."

The Indo-Pak Simla Agreement

Due both to the lack of innate interest for possessing territory seized in western Pakistan and the subsequent intention of utilizing that territory as a "bargaining chip" complementing the POW "bargaining chip," Indian objectives at Simla did not include preserving territorial gains (Mansingh, 1984: 227).³⁷ Rather, India was concerned with the "bargaining chips" only in so far as they affected its reference point involving "...[evolution toward] a viable guarantee for a durable and permanent peace for the subcontinent" (Bokhari and Thornton, 1988: 8). Reflecting its judgement respecting the forces behind repeated Indo-Pak conflict, India considered that durable peace required agreement on several issues. That is, India considered that movement toward its reference point rendered negotiations a multi-value outcome comprising several value dimensions. The dimensions were as follows: i) final settlement on Kashmir; ii) peaceful dispute resolution; and iii) bilateralism, or renunciation of external influence in Indo-Pak affairs (Bokhari and Thornton, 1988: 8).

Since the war yielded gain on the dimensions respecting Kashmir and dispute resolution by destroying Pakistan's military ability while yielding gain on the dimension concerning bilateralism by avoiding concerted external intervention, India

would have evaluated negotiations from the perspective of a minimal account in which the balance was neutral.³⁸ Moreover, its minimal account and prioritization of value dimensions concerning durable peace over those concerning "bargaining chips" together suggest that India aggregated and hence evaluated the dimensions from the perspective of a single frame. India was thus clearly susceptible to risk-averse tendencies given its "bargaining chips," minimal account, and single frame.

While the multiple considerations informing Indian susceptibility to risk-averse tendencies reflected its corresponding reference point evaluation that the status quo was acceptable, other considerations implied that India evaluated the status quo as unstable. Most critical, popular resentment at Pakistan's humiliating defeat and longstanding animosity toward India together encouraged Bhutto to defiantly "...assure the [Pakistani] people that he would not barter away the interests of Pakistan for the sake of peace with India" (Chopra, 1992: 475). Since a Pakistani refusal to grant concessions associated with India's prioritized value dimensions implied negative deviation from its reference point, it might have been expected that Indian loss aversion would generate risk-seeking tendencies.

Rather than exhibiting risk-seeking tendencies occasioned by Bhutto's promise that Pakistan would not concede, India's risk-averse tendencies were instead heightened by two related considerations. Most important, Bhutto tempered his hawkish rhetoric with dove-like statements suggesting that he supported both India's reference point and its ambitions on the associated value dimensions concerning bilateralism and dispute resolution.³⁹ Interpreting Bhutto's mixed messages as an

effort to preserve his personal leadership, India considered that confrontation would pose as great a threat to Bhutto's authority as would overt concession since either eventuality would further destabilize Pakistan's already seriously fragile domestic environment (Chopra, 1992: 474-475). Gandhi thus believed that Bhutto's dove-like comments indicated "...his intention at Simla was good..." (Patinayak, 1992: 377) while his hawkish rhetoric implied "...he had to play to the gallery...and to take the wind out of the sails of the hawks" (Chopra, 1992: 475). Risk-averse tendencies accompanying the attribution of "good faith" to Bhutto's conciliatory remarks had thus displaced the risk-seeking tendencies which might otherwise have been occasioned by an evaluation that Bhutto's anti-Indian rhetoric implied imminent status quo instability. Moreover, the tendencies and attribution also indicated that India considered itself a unitary actor who would concede since Gandhi "...was so strong domestically that she was under no effective pressure to respond to [Bhutto's promise] in kind..." (Bokhari and Thornton, 1988: 10).

The second consideration informing Indian immunity to the risk-seeking tendencies otherwise implied by Bhutto's promise concerned the judgement that India needed Bhutto. Specifically, India feared that discrediting the leader to whom they attributed "good faith" would result in his replacement by a fanatically anti-Indian government which "...[would] not hesitate to wage war with India, even if it [meant] the ruination of Pakistan" (Mukherjee, 1972: 144). India thus clearly evaluated that preserving Bhutto's credibility would act as a form of protection against the extreme probability of a contingency associated with negative reference

point deviation. India's need for Bhutto may thus be considered a further indication that it considered itself a unitary actor who would concede. Together, all of the above clearly indicate that India was both wholly risk-averse and totally immune to escalatory forces.

In striking contrast with India, Pakistan was both decidedly risk-seeking and intensely susceptible to escalation tendencies. Most important, Pakistan's reference point concerned partially returning to the pre-war status quo such that its consequent value dimensions involved repatriating POWs and recovering its western territory (Bokhari and Thornton, 1988: 7). From its reference point, Pakistan would obviously have evaluated the current status quo as unacceptable. Moreover, the dimensions which Pakistan associated with movement toward its reference point implied that negotiations at Simla were considered a multi-value outcome while recent losses respecting those dimensions suggested that negotiations were also evaluated from the perspective of an inclusive account in which the balance was negative.⁴⁰ In addition, Pakistan's inclusive account and prioritization of its value dimensions over the Indian dimensions which it had necessarily to consider together suggest that it disaggregated and evaluated the dimensions from the perspective of separate frames.⁴¹ Finally, the national determination to regain territory and POWs while not succumbing to Indian pressures implied that Pakistan was acting as a unitary actor that would not concede.⁴² In sum, Pakistan was clearly susceptible to risk-seeking tendencies given its evaluation of the status quo as unacceptable, adoption of an inclusive account,

disaggregation of value dimensions into separate frames, and consideration that it was a unitary actor who would not concede.

Pakistan's risk-seeking tendencies were accompanied by susceptibility to multiple escalatory forces. First, both public demonstrations respecting POWs and the recognition that "...any further humiliation in the form of an unequal peace with Delhi would not be acceptable to the Pakistani masses" (Ali, 1972: 55) suggested that Bhutto evaluated future loss certain in the absence of corrective action since public outrage from capitulation to India could "...fire a reaction capable of ousting Bhutto from office" (Bokhari and Thornton, 1988: 11). Second, national concurrence with Bhutto's oft-repeated judgement that India's ongoing historical ambition concerned obliterating Pakistan implied that the unitary actor attributed both a "bad faith" image and motive, and a negative stereotype to India (Mukherjee, 1972: 138). Finally, the recent losses suffered by Pakistan indicated that the country was still further predisposed toward escalation. In short, Pakistan's risk-seeking tendencies were clearly aggravated by its susceptibility to multiple escalatory forces.

To summarize, Pakistan exhibited both risk-seeking and escalatory tendencies while India exhibited neither. The contradictory tendencies distinguishing Pakistan from India implied that Pakistan would prevail at Simla regardless of India's superior aggregate structural power. Specifically, India lacked the issue-specific power of commitment which might otherwise have informed a willingness to deploy its aggregate structural resources in pursuit of a coerced durable "peace" both because of its tendencies and because of its lacking the issue-specific power associated with

alternatives (i.e., alternatives to Pakistani pacification as a means through which to affect movement toward its reference point).⁴³ In contradistinction, Pakistan possessed the issue-specific power of commitment accompanying its unitary actor determination not to concede despite the fact that it lacked both aggregate structural power and the issue-specific power associated with alternatives (i.e., alternatives to Indian concessions as a means through which to affect movement toward its reference point).⁴⁴ More succinctly, negotiations at Simla would witness Pakistan's power of commitment react both with India's lack of commitment for coerced "peace" and with its subsequent unwillingness to deploy aggregate structural resources. That is, negotiations at Simla would witness the "weak prevailing while the strong conceded."

Events prior to Simla demonstrated the first instance of Pakistan's power of commitment interacting with India's lack of will to deploy its aggregate structural resources. Interestingly, India initiated its own concession by insisting that negotiations on its "bargaining chip" dimensions would not commence until Pakistan had conceded on the dimensions associated with its durable peace reference point (Bokhari and Thornton, 1988: 13). That is, India initiated its own concession by pursuing a coerced "peace" for which it lacked the will to deploy its resources.

India's self-generated concession was occasioned by the collision of its lack of commitment to coerced "peace" with Pakistan's power of commitment to non-concession. Specifically, the threat of an increasingly negative account balance from further negative reference point deviation no doubt heightened both Pakistan's risk-

seeking and escalatory tendencies. Pakistan expressed the power of commitment informed by these tendencies with the only tactical power it possessed, behavioural power. On whirlwind international tours, Bhutto successfully portrayed himself as a "good faith" victim of Indian unreasonableness and, thereby, garnered both International Monetary Fund (IMF) credits worth \$100 million and several United Nations (U.N.) resolutions denouncing Indian preconditions (Bokhari and Thornton, 1988: 14, 40).⁴⁵ Moreover, Bhutto's appeal to the security implications confronting the U.S. and China from Pakistani concessions to a nation aligned with the Soviet Union together yielded him economic and military assistance from China, and humanitarian aid from the United States (Subrahmanyam, 1972: 133-134; Mansingh, 1984: 228). Most important, however, his security appeals encouraged both the U.S. and China to display their support for Pakistan through implied military threats against India.⁴⁶ Given the international response, it was clear that India had initiated an interaction between its aggregate structural power and Pakistan's power of commitment. It would soon become clear that India had thereby initiated its own concession.

The normative and tangible support extended to Pakistan by the international community situated India in the position of evaluating losses. To begin, loss on the dimension concerning bilateralism was both risked by a Pakistani reliance on the U.S. and China affecting a reciprocal Indian reliance on the Soviet Union, and occasioned by U.N. resolutions expressing international scorn (Ali, 1972: 54-58; Bokhari and Thornton, 1988: 40). Moreover, loss on the dimension concerning dispute resolution

was risked by the U.S. and Chinese assistance which allowed Pakistan to maintain its confrontation with India, the extreme probability that discrediting Bhutto would result in his replacement by a fanatically anti-Indian government, and the possibility that continued confrontation would eventually transform the subcontinent into a theatre of Cold War drama (Subrahmanyam, 1972: 132-134). Finally, all of the above obviously risked loss on the Kashmir dimension and, altogether, affected significant negative reference point deviation.

Bhutto's tactics had both yielded recent loss from affecting costs to India's reputation and threatened it with future loss from negative reference point deviation. It might thus have been expected that India would not only exhibit risk-seeking and escalation tendencies but, thereby, a willingness to deploy its aggregate structural resources. In other words, it might have been expected that India had empowered itself by stimulating a power of commitment to coerced "peace." Several considerations together explain the seemingly paradoxical Indian concession to renounce preconditions, yet understanding the "paradox" necessitates first dismissing a possible alternate explanation. To begin, insisting on preconditions risked loss via status quo instability both from Pakistan's refusal to concede and from the implications associated with international support for Pakistan. By contrast, renouncing preconditions risked loss from the former consideration yet avoided loss from the latter. Nevertheless, it cannot be argued that this loss calculus in itself encouraged India to concede since loss from renouncing preconditions was smaller and certain while loss from insisting on preconditions was larger yet uncertain,

uncertain because there was no guarantee how far international support for Pakistan would actually extend.

Given that the above loss calculus cannot in itself explain India's concession, it is necessary to additionally consider that India's value dimensions were aggregated into a single frame evaluated from the perspective of its reference point. Since India's lack of the issue-specific power associated with alternatives implied that movement toward its reference point could only be achieved by pacifying Pakistan, it could only have been evaluated that insisting on preconditions would yield loss by enraging Pakistan. Renouncing preconditions was thus actually a means by which to avoid both sets of losses since the international community would relax its pressures on India while Pakistan's willingness to participate in negotiations untainted by preconditions suggested that India could affect movement toward its reference point through negotiating with a mollified Pakistan (Bokhari and Thornton, 1988: 17). India's seemingly paradoxical concession was thus not a paradox at all since India had clearly conceded in accord with a preference for deploying its aggregate structural resources elsewhere. In other words, risk-seeking loss aversion intended to maintain a neutral account balance had encouraged an Indian preference for deploying its aggregate structural resources inside the negotiation process proper. Despite this consideration, the concession was nevertheless a concession. The unitary actor who would concede had thus lacked the will to deploy its aggregate structural power and, thereby, had allowed Pakistan's power of commitment to out-power its aggregate structural power on the eve of negotiations at Simla.

A concessionary India sent letters to the U.N. Secretary General and the Security Council, letters emphasizing its willingness to negotiate "...at any time at any level and without any condition" (Bokhari and Thornton, 1988: 17). In other words, India sent letters emphasizing its preference for deploying its aggregate structural resources inside the negotiation process proper. The result was an emissary-level held in late April at Muree, Pakistan. D.P. Dhar and Aziz Ahmed, leaders of the Indian and Pakistani delegations, respectively, were charged with preparing the agenda for negotiations between Gandhi and Bhutto. Each produced a draft reflecting their mutual need to address the value dimensions of both countries, yet the drafts were mirror images since each prioritized its own value dimensions. The difference was papered over by noting that the demands of each would be discussed together by Bhutto and Gandhi (Bokhari and Thornton, 1988: 26). Since the difference was ignored rather than negotiated, India's failure to force the agenda simply reflected the preference for deploying its aggregate structural power inside the negotiation process proper. The question was, would India's preference match the strength of Pakistan's commitment such that events at Simla would reflect India's superior aggregate structural power?

Prior to discussing the negotiations proper, it is important to review the negotiation approach which each country advanced in tactical support of its frame since the approaches themselves indicated that India's preference would not match the strength of Pakistan's commitment. To begin, Pakistan's insistence on a step by step approach reflected its risk-seeking separate frames while the tactical benefit

following from its disaggregated evaluation of events at Simla was an opportunity to wrest multiple concessions from India while averting discussion on the terms of a durable peace (Patinayak, 1992: 376). By predictable contrast, India's insistence that negotiations proceed on the basis of a package deal reflected its risk-averse single frame while the tactical benefit accompanying its aggregated evaluation of events at Simla was the opportunity to use its "bargaining chip" value dimensions as leverage for dictating the terms of a durable peace (Mansingh, 1984: 227).

The frames which had informed tactics respecting negotiation approaches indicated both that each would rely on a different form of power and that, therefore, Pakistan would prevail while India conceded. Specifically, Pakistan's risk-seeking separate frames informed a refusal to link dimensions, thereby encouraging both immunity to cancellation and a still greater risk-seeking power of commitment to non-concession. Contrarily, India's risk-averse single frame informed linkages, thereby encouraging cancellation and still greater risk-averse unwillingness to deploy its aggregate structural resources. The line running from frame through tactic to power form thus indicated that, regardless of India's preference respecting where to deploy its aggregate structural power, Simla would witness the tactically intensified interaction of Pakistan's power of commitment with India's risk-averse unwillingness to honour its deployment preference. That is, the straight line indicated that Simla would witness "the weak prevailing while the strong conceded."

Negotiations at Simla began on June 28 1972. The first session immediately ground to a halt as the sequence of issues difference could no longer be papered

over. At the first meeting on June 29, Pakistan set in motion a process characterized by the presentation of drafts and counter-drafts (Bokhari and Thornton, 1988: 29-30). The foregoing analysis suggests that the seemingly fair process immediately empowered Pakistan by allowing each party to continue privileging its own straight line from frame through tactic to power form. Specifically, the process allowed Pakistan's risk-seeking separate frames to express themselves through a step by step approach and tactically invigorated power of commitment while condemning India's risk-averse single frame to express itself through a package approach and tactically depressed lack of will to deploy aggregate structural resources. India had thus inadvertently conceded across the whole of Simla by inadvertently conceding to Pakistan's "fair" approach to the process.

The unitary actor who would not concede initiated the process by presenting a draft agreement reflecting the negative balance in its inclusive account, as well as the step by step approach both inspired by its risk-seeking separate frames and invigorating its power of commitment to non-concession: POWs and territory in exchange for highly abstract promises of good-neighbourliness (Bokhari and Thornton, 1988: 30). In other words, absolute movement toward Pakistan's reference point through a complete return to the pre-war status quo on both of its associated value dimensions in exchange for absolute negative deviation from India's reference point through loss from abstraction and continued status quo instability on all of its associated value dimensions. Although India responded with a counter-draft reflecting the desire to maintain its neutral account balance, as well as the package

approach both inspired by its risk-averse single frame and encouraging its reliance on aggregate structural power, its draft reflected neither its position as a unitary actor who would concede nor its lack of will to deploy its aggregate structural power in pursuit of coerced "peace." The draft read: everything for nothing (Bokhari and Thornton, 1988: 30). That is, complete movement toward India's reference point from coerced status quo "stabilization" on its associated value dimensions in exchange for absolute negative deviation respecting Pakistan's reference point from coerced status quo "stabilization" on its associated value dimensions.

The June 29 exchange of drafts indicated that each side behaved in accord with the straight line running from frame through tactical approach to power form. It did not, however, indicate that the straight line ended with Pakistan's risk-seeking separate frames and tactically invigorated power of commitment confronting India's risk-averse single frame and tactically depressed lack of will to deploy aggregate structural power. Indeed, India's "everything for nothing" formula made it appear as though it were both risk-seeking and willing to deploy its resources. India's draft was thus unintelligible from the perspective of prospect theory. However, events the following day made intelligible India's otherwise inexplicable willingness to coercively deploy its aggregate structural resources and affect both its own negative reference point deviation and movement from a neutral to negative account balance. Specifically, India's stance was simply an instance of behavioural power intended to affect movement toward its reference point through impressing Pakistan with its

superior aggregate structural power. In other words, India was attempting to impress Pakistan by misrepresenting itself as a unitary actor who would not concede.

Pakistan was unimpressed. Reflecting the influence of the same straight line which had informed its June 29 draft, Pakistan continued to behave as a unitary actor committed to non-concession when it presented an almost identical draft on June 30 (Bokhari and Thornton, 1988: 30). India's July 1 response both exposed that its previous draft was nothing more than a bargaining ploy and suggested that it too was negotiating in accord with the end result of its straight line. India's new formula read as follows: durable peace in exchange for territory (Bokhari and Thornton, 1988: 30). In other words, total reference point satisfaction through stabilizing the status quo respecting India's value dimensions in exchange for movement toward Pakistan's reference point from a return to the pre-war status quo on one of its value dimensions. Remaining committed to non-concession, Bhutto immediately rejected India's package (Bokhari and Thornton, 1988: 31).

Events on July 1 highlighted considerations concerning both India and Pakistan. With respect to India, events indicated that the country was attempting to affect movement toward its reference point through Pakistani concessions occasioned by "bargaining chip" linkage. India had thus responded to Pakistan's risk-seeking power of commitment to non-concession with a concession. Even though the concession involved a "bargaining chip" value dimension, it nevertheless indicated that India was behaving as an actor whose risk-averse single frame made it unwilling to deploy its aggregate structural power in pursuit of a coerced durable "peace" that

would affect both negative reference point deviation and movement from a neutral to negative account balance. That is, it nevertheless indicated that India was behaving as a unitary who would concede.

Contrarily, Bhutto's refusal to accept India's concession exchange proposal indicated that Pakistan was continuing to behave as a unitary actor who would not concede. Specifically, Bhutto's refusal to cancel loss from no movement on the value dimension concerning POWs against gain from positive movement on the dimension concerning territory indicated that Pakistan continued both to evaluate events at Simla from the perspective of a negative account balance and to adopt risk-seeking separate frames. Moreover, Bhutto's domestic fragility implied that loss on any dimension would render future loss certain in the absence of corrective action. Given Pakistan's lack of the issue-specific power associated with alternatives and its aggregate structural power inferiority, the only corrective action possible was, of course, refusal to concede. Coincidentally, Pakistan's rejection of the exchange might also be considered a reflection of the "bad faith" image and motive, and negative stereotype which it attributed to India. In sum, India was exhibiting a lack of will for relying on its form of power while Pakistan was exhibiting a continued reliance on its form.

At a private meeting between Bhutto and Gandhi on the evening of July 1, each leader clearly acted in accord with the end result of their respective straight lines from frame through tactic to power form. Specifically, the negative account balance encouraging Bhutto's risk-seeking separate frames informed a continued step

by step approach characterized by commitment to non-concession. By contrast, the neutral account balance encouraging Gandhi's risk-averse single frame informed a package deal offering linkage occasioned by the lack of will to deploy her aggregate structural power in pursuit of a coerced durable "peace." Pakistan thus continued to advance its initial draft while India offered yet another formula: temporary status quo in Kashmir rather than final settlement on Indian terms, bilateralism including dispute resolution through negotiation, and non-contentious issues in exchange for territory (Bokhari and Thornton, 1988: 31).

Since Gandhi had conceded on the value dimensions concerning territory and Kashmir, the new formula highlighted two considerations. First, the formula suggested that Kashmir was the least prioritized value dimension within Gandhi's risk-averse single frame and that she was, therefore, cancelling loss on that dimension against gains on the more highly prized bilateral and dispute resolution dimensions. The reason for de-prioritizing Kashmir was straightforward- a Pakistani agreement to bilateral dispute resolution implied that a final negotiated settlement on Kashmir would reflect India's superior aggregate structural power.⁴⁷ The concession was nevertheless significant since India had conceded to at least negotiate on Kashmir. Second, the concession to negotiate on Kashmir indicated that India had responded to Pakistan's consistent power of commitment to non-concession with an intensified risk-averse unwillingness to deploy its aggregate structural power in pursuit of a coerced durable "peace."

Despite India's significant concessions respecting Kashmir and territory, Bhutto rejected the new formula. Most importantly, "...aware of the perils of an asymmetric power equation, [he] wanted inclusion of the right to seek third party arbitration..." (Bokhari and Thornton, 1988: 31). Bhutto's rejection of India's latest concession exchange proposal thus clearly reflected those same considerations which had informed his previous such rejection. That is, Bhutto's rejection variously reflected his risk-seeking separate frames, attribution of a "bad faith" image and motive, and negative stereotype to India, and anticipation that future loss was certain in the absence of corrective action via a refusal to concede. At the close of July 1, it was thus clear that the strong was continuing to behave as a unitary actor who would concede while the weak was continuing to behave as a unitary actor who would not concede.

Despite the concessionary behaviour exhibited by India, it was questionable whether that behaviour would occasion an Indo-Pak accord given that no further meetings had been scheduled (Bokhari and Thornton, 1988: 31). Racing against an imminent deadline, both leaders evaluated that the prospect of an Indo-Pak accord was disappearing while the Pakistani delegation was packing (Bokhari and Thornton, 1988: 35). That is, both leaders likely evaluated that future loss concerning their respective reference points was certain in the absence of corrective action. The question was, would corrective action involve mutual concessions? The predictable answer was no. After only one hour but six step by step draft exchanges, the terms of an Indo-Pak accord were agreed upon: political status quo in Kashmir "without

prejudice to the recognized position of either side...." optional bilateralism. intent to refrain from the use of force, and other noncontentious clauses in exchange for territory. In other words, abstract movement toward India's reference point from abstract status quo stability respecting its associated value dimensions in exchange for concrete movement toward Pakistan's reference point from a concrete return to the pre-war status quo respecting its territory dimension.⁴⁸ Reflecting the interaction of Pakistan's risk-seeking power of commitment with India's risk-averse unwillingness to deploy its aggregate structural power, the Simla Agreement was thus a predictable product of the forces informing its genesis. That is, the Simla Agreement was a predictable instance of "the weak prevailing while the strong conceded."

Given that the Simla Agreement did not address its value dimension concerning POWs, it might erroneously appear both that Pakistan had cancelled loss on the POWs dimension against gain on a more highly prized territory dimension and that it had thus become risk-averse. Reflecting that erroneous judgement, Gandhi believed that a mollified Bhutto intended to affect "surplus" movement toward her reference point by satisfying Indian ambitions respecting a value dimension which it did not prioritize and, therefore, was extremely unlikely to consider pursuing through the deployment of aggregate structural resources. Specifically, Gandhi believed that a mollified Bhutto intended to recognize Bangladesh in exchange for POWs (Mansingh, 1984: 489; Bhargava, 1992: 349).⁴⁹ Yet events following Simla indicated that Pakistan had not aggregated its separate

frames and become susceptible both to cancellation and risk-aversion but, rather, had maintained its separate frames and its risk-seeking commitment to non-concession. Gandhi's erroneous belief thus indicated that she continued attributing "good faith" to Bhutto, an attribution which in turn indicated that Bhutto had been more tactically effective at misrepresenting himself at the close of Simla than Gandhi had been at misrepresenting herself at the outset of Simla.

Several considerations indicated that Pakistan had no intention of linking Bangladesh with POWs and affecting "surplus" movement toward India's reference point. First, Pakistan was hostile toward Bangladesh both because of the war and because of the threat to prosecute Pakistani POWs as war criminals (Mansingh, 1984: 226-227; Bokhari and Thornton, 1988: 36). Second, Pakistan was outraged by Indian coercion to recognize Bangladesh (Roy, 1972: 20). Third, Pakistan was determined not to recognize Bangladesh under any condition involving Indian influence (Mansingh, 1984: 227). These considerations together indicated that Bhutto was both risk-seeking and escalatory when evaluating recognition. Specifically, they indicated that he was evaluating recognition as imposing further loss on an already negative account balance while simultaneously attributing "bad faith" images and motives, and negative stereotypes to both Bangladesh and India. In sum, it was clear that Bhutto would evaluate recognition and POWs from the perspective of risk-seeking separate frames and, thereby, would remain committed to non-concession.

Evoking a sense of *deja vu*, the considerations discussed above indicated that Pakistan's risk-seeking power of commitment would once again interact with India's risk-averse lack of will to deploy its aggregate structural resources in pursuit of coerced "peace." That is, the considerations indicated that once again "the weak would prevail while the strong conceded." Bhutto thus predictably deployed that tactical power through which he had affected India's last concession outside the negotiation process proper, behavioural power, and exercised that power through the same medium of international pressure. Specifically, Bhutto advertised the POWs' plight in leading newspapers around the world, prompted International Red Cross (IRC) denunciations respecting the POWs' treatment, released Indian POWs with a theatrical flourish, and initiated proceedings against India at the International Court of Justice (ICJ) (Chopra, 1992: 489-491). Moreover, he indicated that he was willing to tactically link recognition with the POWs when he prevailed on China to preserve his "bargaining chip" by vetoing the Bangladeshi bid for U.N. membership (Mansingh, 1984: 23). Bhutto had thus confirmed himself a tactical master for he had once again situated risk-averse India in the position of evaluating losses both from costs to reputation and from negative reference point deviation via its value dimension concerning bilateralism (Mansingh, 1984: 231).

In a master stroke, Bhutto both toyed with India's "good faith" attribution by indicating that he attributed the same to India, and played upon India's fear that discrediting him would impose loss across all value dimensions associated with its reference point. Respectively toying and playing, he said:

Sister Indira Gandhi listen...to the voice of [your] Pakistani sisters and send their brothers back to them. India is a big country. It should have a big heart (Bhutto, quoted in Anand, 1972: 109).

[Backed] by disgruntled political and military leaders, a sizable public opinion is developing against India and...[could lead to] an unpredictable step (Bhutto, quoted in Anand, 1972: 109).

In sum, Bhutto had once again situated India in the position of evaluating losses both from costs to reputation and from future status quo instability across all value dimensions directly associated with its reference point.⁵⁰ As had been the case prior to negotiations at Simla, India responded to Bhutto's tactical support for his power of commitment to non-concession with a concession. Loss-averse India's second seemingly paradoxical concession was similar to the first since both were offered in deference to India's lack of the issue-specific power associated with alternatives (i.e., alternatives to Pakistani pacification as a means through which to affect movement toward its reference point). The concessions nevertheless reflected distinct evaluation forces since India had by this time affected (abstract) movement toward its reference point. India's most recent concession thus likely reflected an evaluation that failing to release Indian POWs would yield loss on the value dimension concerning recognition of Bangladesh but yield gain from pacifying Pakistan and affecting status quo stability on the more highly prized dimensions directly associated with its reference point. In other words, India likely cancelled loss on the Bangladesh dimension against abstract gains on more highly prized dimensions.

By April 1973, Pakistani tactics had convinced India and hence Bangladesh to de-link POWs from recognition of Bangladesh. The former two countries then signed a three-way repatriation agreement, an agreement to which the "unrecognized" third country offered its concurrence. The "unrecognized" country was eventually recognized by Pakistan in February 1974 (Mansingh, 1984: 230). The recognition both took place under the auspices of the 1974 Islamic Conference, rather than under Indian auspices, and reflected the evaluation that "...failure to recognize Bangladesh, as more and more nations did so, proved to be a wasting asset" (Bokhari and Thornton, 1988: 38). The last of the issues immediately related to negotiations at Simla, Pakistani recognition of Bangladesh, had thus been occasioned in the absence of Indian coercion or even involvement. Specifically, neither the location nor the rationale of recognition had reflected Indian influence. Recognition had thus reflected the same power equation as had all other issues- Pakistan's power of commitment to non-concession had out-powered India's aggregate structural power since the latter lacked the necessary will to deploy its power.

Throughout the 1972 Simla process, Pakistan negotiated as a dismembered country crippled by domestic fragility while India negotiated as a victorious nation invigorated by domestic stability. Since neither had possessed the issue-specific power associated with an availability of alternatives, Simla repeatedly witnessed the interplay between Pakistan's power of commitment to non-concession and India's lack of will to deploy its aggregate structural power. That is, Simla repeatedly witnessed "the weak prevailing while the strong conceded."

This chapter has examined hypotheses based on prospect theory in three cases of asymmetrical negotiation. Since movement throughout the negotiation processes prohibited a longitudinal examination, the chapter considered on a case-by-case basis how the evolutionary interplay between structural power and behavioural power affected focal actors' gain/loss evaluations and hence concessionary behaviours. The paper now proceeds, in chapter four, to summarize the findings and to offer both some "asymmetrically prescriptive-descriptive" statements and some conclusions regarding whether prospect theory can provide a theoretical foundation for the descriptive analysis of concessionary behaviour.

Endnotes

1. The following considerations suggest that each was suffering losses from costs to reputation: i) the nation-wide hostility evoked by Reagan's 301 threat conjoined with the circumstances of intense nationalism at the time of a fragile political transition to civilian government to indicate that U.S. threats to the most politically sensitive issue in Brazil threatened both popular and military support for Sarney's governance (Odell and Dibble, 1988a); and ii) the U.S. President's desperate need for a self-initiated trade policy triumph indicated that Sarney's vehement defiance undermined Reagan's domestic credibility (Odell and Dibble, 1988a). With respect to image, motive and stereotype attributions, the following observations suggest that each President negatively characterized the other: i) U.S. trade specialists decried Brazil as a hypocritical "...nation of modern producers hiding behind their country's developing status..." (Odell and Dibble, 1988a: 18); and ii) Brazilians claimed that Americans were becoming "...ever more pious and unbearable...even as they practiced more protectionism themselves " (Odell and Dibble, 1988a: 12).

2. Beyond the obvious fact that the 301 represented negative reference point deviation, further indicators supporting the contention that both private U.S. capital and the State Department evaluated the IT case from the perspective of an inclusive account whose balance was negative include: i) the U.S. Computer and Business Manufacturers Association (CBEMA) lobbied against the 301 on the grounds that its members were now in danger of becoming "...hostages or victims of a trade war" (Odell and Dibble, 1988a: 11); and ii) the State Department maintained that the 301 had threatened both Brazil's democratic transition and its ability to service its enormous debt (Odell and Dibble, 1988a: 13-14).

3. In addition to the implication accompanying pursuit of ad hoc accommodation, indicators suggesting that U.S. private capital both positively stereotyped and attributed "good faith" to the Brazilians include both its belief that the IT policy was a temporary circumstance and its contention that experience with the Brazilians proved that the IT policy could be accommodated for in an ad hoc manner (Odell and Dibble, 1988a: 6).

4. As well as the fact that State's assurances blatantly contradicted the stances adopted by the USTR and U.S. President, indicators supporting the supposition that State's assurances reversed the reputation costs which the 301 action had imposed on Sarney include the following: i) U.S. Secretary of State Schultz sent a letter to Brazilian Foreign Minister Sodre in which he protested that the U.S. did not seek changes in the IT Law (Evans, 1989: 227); and ii) U.S. Deputy Secretary of State Whitehead delivered an invitation from President Reagan to President Sarney for a state visit to Washington (Odell and Dibble, 1988a: 13-14). Together, all of the

actions taken by State removed the threats "...hanging over [Brazil's] head..." (Odell and Dibble, 1988a: 14).

5. The contention that Brazil evaluated the actions taken by private U.S. capital and State as evidence that the status quo might return to stability is supported with reference both to the combined power of those actors and to the observation that, for Brazilians, their actions and tone were considered to alter the situation in favour of Brazil (Odell and Dibble, 1988a : 14).

6. The fact that MNEs from across a variety of sectors were demanding loss avoidance through stabilizing the IT status quo is best indicated by the "progress" of USTR staffers charged with compiling a retaliation list. In the face of intense MNE lobbying against sanctions, one staffer commented "[we] were down to porcelain toilet bowl covers" (Odell and Dibble, 1988a: 15).

7. The fact that IT MNEs feared Brazil was in the midst of creating an unacceptable and static status quo on software is indicated by their belief that the Brazilian software law would create a *sui generis* regime which would allow Brazil to become a site through which their proprietary operating systems and basic applications software could be stolen (Bastos, 1994: 386).

8. The supposition that Yeutter was finally empowered by a unitary coalition that would not concede is supported by the circumstance that "...U.S. companies were all agreed for the first time to support retaliation if [software] terms were not met" (Odell and Dibble, 1988b: 8).

9. The fact that Sarney could not ignore military interests is indicated by the observation that "...the last thing he needed was to be seen [by them as] knuckling under to foreign pressure to intervene in the writing of national law" (Odell and Dibble, 1988b: 10).

10. The supposition that Canada's risk-seeking loss aversion demanded movement toward securing an accord is indicated by comments made by then Environment Minister Romeo LeBlanc. Specifically, he both referred to acid rain as an environmental "time bomb" and stated "[we] do not have time to wait...before taking political action" (LeBlanc, quoted in Munton, 1980-1981: 368).

11. Canada's national consensus on the need for acid deposition controls spanned from the public through the government to industry. (For accounts of the public awareness and governmental commitment informing Canada's national consensus on the need for an acid rain accord, see: Wilcher, 1989: 21; Carroll, 1991: 23-24. For considerations on both governmental and industry support for acid rain controls, see: Albin and Paulson, 1988: 130-135; Stewart, 1988: 77; Wilcher, 1989: 22-80).

12. In addition to outlining the parameters of a prospective air quality accord and committing both parties to strictly enforce prevailing statutes, the MOI detailed the structure, procedures, and schedule for five working groups (Munton, 1980-1981: 177). Moreover, the MOI reconfirmed those international legal principles embodied in previous Canada-U.S. environmental agreements. Specifically: i) that no country should pollute the atmosphere to the detriment of another; ii) that the polluter should pay for any damages; and iii) that states must notify each other of significant discoveries regarding the causes, consequences, and cures for air pollution (Golich and Young, 1992: 14).

13. With respect to Reagan's stunningly long list of Canada-U.S. "irritants," the Foreign Investment Review Agency (FIRA) and the National Energy Program (NEP) were singled out as particularly "irritating." While "irritation" with the FIRA and the NEP do not distinguish Reagan since any U.S. administration would likely have sought to dismantle them, the number of "irritants" does; the list was as long, if not longer, than that of the notorious 1971 Nixon administration (Munton and Castle, 1992: 372).

14. Section 115 of the U.S. CAA, otherwise known as the international protection clause, allowed the EPA to order revised air quality standards only if it was anticipated that U.S. pollution was endangering public welfare in another country and only if that other country offered reciprocal legislative treatment to the United States (Stewart, 1988: 80; Munton and Castle, 1992: 371).

15. One of the more overtly anti-environmental sentiments expressed by Reagan concerned his comment that "[a] tree is a tree -- how many more do you need to look at?" (Reagan, quoted in Golich and Young, 1992: 51).

16. The characterization of Reagan as the White House "encumbrance" originated with Canadian humourist Don Harron (Harron, quoted in Munton and Castle, 1992: 372).

Reagan appointees indicative of the President's anti-environmentalism included: i) Kathleen Bennett, a lobbyist for corporations opposed to EPA air pollution regulations, was appointed as the EPA official directly responsible for air pollution; ii) James McAvoy, distinguished both by his anti-environmental policies for the Rhodes administration in Ohio and by his flat denial that acid rain was a problem, was appointed White House strategist on acid rain; and iii) James Watt, another well-known anti-environmentalist, was appointed head of Interior (Munton, 1982: 3-6).

Reagan efforts to "gut" environmental initiatives included: i) arguing for relaxed CAA provisions; ii) refusing to consider various international agreements on fishing rights and the Law of the Sea; and iii) proposing substantial budget cuts respecting Great Lakes water quality projects (Munton, 1982: 4; Stewart, 1988: 76).

Reagan attempts to "cripple" the EPA included: i) slashing EPA funding for both programmes and research; ii) purging "undesirable" material from the EPA

publication list; and iv) appointing EPA officials distinguished by their anti-environmentalism (Munton, 1982: 3-6; Munton and Castle, 1992: 372).

17. Although the pro-accord forces enjoyed powerful Congressional support from Senators Mitchell (D-Maine) and Stafford (R-VT), the anti-accord forces enjoyed the strategically located and more powerful support of Representative Dingell (D-MI) and Senator Byrd (D-WVA). While Dingell used his post as chairman of the House Energy and Commerce Committee to undercut all acid rain control bills in his committee, Byrd relied on his position as Senate majority leader to "kill" any hope of acid rain legislation (Golich and Young, 1992: 29).

18. While Canada's inability to affect the aggregate structural power disparity between itself and the U.S. is obvious, it is perhaps useful to elaborate on Canada's inability to affect the disparity surrounding the issue-specific power associated with the availability of alternatives. First, Canada was unable to affect its lack of alternatives to U.S. pollution controls since geography dictated that acid rain originating in the United States could only be combatted with U.S. pollution controls. Second, Canada was unable to affect the U.S. alternative of inaction for the simple reason that Canada lacked the aggregate structural power that might have otherwise lent it an ability to "threaten" loss on a value dimension that was highly prized by either the President or the anti-control Congressional representatives.

19. The contention that scientific reports generated a Congressional pro-accord value dimension is indicated by scholarly statements respecting the process through which acid rain became politicized. First, the media began to publish a series of scientific reports claiming that: i) acid rain and snow were both becoming increasingly acidic and falling over ever larger portions of the northeastern U.S. (NYT, January 25 1980, p.30, quoted in Park, 1987: 200); ii) acid rain was damaging materials, forests, lakes, and agriculture at an annual cost of \$5 billion (NYT, April 10 1981, p.1, quoted in Park, 1987: 201); and iii) acid rain was causing up to 54,000 pollution-related deaths per year (NYT, March 2 1981, p.12, quoted in Park, 1987: 201). Second, media attention to the alarming scientific reports translated into a "growing tide of opinion within the U.S. in favour of tackling the acid rain issue..." (Park, 1987: 201). Third, public pressure for acid rain controls stimulated political tensions between the receiving states and the donor states, tensions which transferred themselves from the intra-state level to the Congressional level (Park, 1987: 201).

20. Both the Reagan administration's reluctance to commence negotiations with Canada and rising political tensions inside the U.S. were in part responsible for a May 20 1981 hearing before two House subcommittees. At the hearing, administration representative Ray C. Ewing "...assured the committees that formal negotiations would begin...the following month..." (Stewart, 1988: 66-68).

21. Although numerous scholars have emphasized both that Reagan privileged a concern with U.S. economic health over acid rain controls and that he considered environmental deregulation the key to economic health, the point is most succinctly expressed with the comment that "[the] Reagan administration's deregulation program...took priority over acid rain within the U.S. administration (Stewart, 1988: 68).

22. Indicative of the administration's efforts to manipulate advocates' knowledge of acid rain, Reagan officials attempted both to "silence" authors whose reports exposed the dangers of acid rain and to support Reagan's anti-control position with reference to arguments claiming that controls imposed unjustifiable economic costs. With respect to those who were "silenced," a telling example concerns the National Academy of Sciences whose punishment for urging the government to impose acid rain controls included the slashing of all funding for its acid rain research (NYT, March 28 1982, p.4, quoted in Park, 1987: 204). With respect to Reagan's referencing of arguments claiming that controls entailed unjustifiable economic hardship, it is indicative that he consulted reports by the American Electric Power Service Company (AEP), the Edison Electric Institute (EEI), and the National Coal Association. In other words, he consulted reports by industrial interests possessing a vested economic interest in the absence of controls (Park, 1987: 203; Albin and Paulson, 1988: 122-125).

23. Several indicators signify that Canada's deployment of behavioural power was informed by its susceptibility to escalatory forces. Specifically, those same escalatory forces which had characterized Canada's position at the beginning of Reagan's tenure. First, comments by Environment Minister Roberts indicate that Canada remained susceptible to escalation forces concerning the evaluation of recent loss, the perspective of an inclusive account in which the balance was negative, and the conviction that future loss was certain in the absence of corrective action. Roberts commented as follows:

The administration's rejection of our proposal to reduce sulphur dioxide emissions in eastern North America by 50 percent by 1990 and a clear indication that it may be some considerable period of time before it will even be able to discuss control actions, is a bitter pill to swallow" (Roberts, quoted in Stewart, 1988: 74).

Second, comments made by Raymond Roberts, head of Canada's Federal Environmental Assessment and Review Office, indicate that Canada also remained susceptible to escalation forces from attributing both a "bad faith" image and motive, and a negative stereotype to the United States. His comments included: i) accusing the administration of manipulating the proceedings of the five working groups established by the MOI; ii) charging that the administration was purposefully

suppressing information concerning acid rain; iii) complaining that the administration was withholding money for clean-up programs; and iv) lamenting that the administration was not honouring the spirit of the MOI respecting a commitment to conduct serious negotiations (Stewart, 1988: 74).

24. The contention that Canada deployed behavioural power for the purpose of affecting a stronger degree of U.S. commitment to the value dimension concerning controls is supported with reference to scholarly comments. First, it has been noted that

Canada sought to improve its negotiating position by initiating wide-spread public information campaigns designed to persuade its neighbour that American long-term self-interest would be best served by implementing rigorous emission standards" (Golic and Young, 1992: 33).

Second, it has also been commented that

Canadians [understood] that increased public awareness and sensitivity to the issue [would] most likely translate to increased pressure on members of Congress to take some action (Egel, 1988: 147).

Given the above commentaries, it is clear that Canada was attempting to invigorate the demand for U.S. controls on the part of the American public. The obvious purpose of that attempt was to strengthen the power of commitment accompanying that reference point on the Congressional and Presidential value dimension concerning controls which was coincident with the Canadian effort to move toward its reference point through affecting U.S. controls.

25. Some of the more inventive Canadian tactics included: i) encouraging both diplomats and staff at the Canadian embassy to stroll about town carrying umbrellas calling attention to acid raindrops; ii) handing out "stop acid rain" pamphlets to American tourists crossing into Canada; iii) arranging tours of Canada's more visibly acid rain damaged areas for American opinion-makers; and iv) making Canadian speakers available to groups who did not know that they wanted Canadian speakers (NYT, November 6 1982, p.9, quoted in Park, 1987: 202; Munton and Castle, 1992: 372). On a more mundane note, the most effective Canadian tactic involved providing substantive funding to the Canadian Coalition on Acid Rain (CCAR), the first U.S. registered Canadian lobbyist working for a citizen's organization (Stewart, 1988: 79).

Canadian tactics aimed directly at the U.S. Congress included the following: i) testifying at subcommittee hearings investigating the acid rain problem; ii)

sponsoring lunches for members of Congress; and iii) hiring a prominent Washington legal firm both to lobby Congress and to advise the Canadian embassy on additional lobbying action (Stewart, 1988: 379). Tactics intended to transit through the U.S. public to the Congressional level included distributing leaflets, film clips, fact sheets, and slide shows both to individual citizens and to various professional, scientific, and environmental groups throughout the United States (Egel, 1988: 147).

26. The contention that the administration and its industry cohorts were discredited by the "madness" of their reactions to Canadian tactics is supported with reference both to the nature of their reactions and to the popular response to those reactions. With respect to the reactions themselves, it is particularly instructive to note that U.S. industry denounced the "inflammatory rhetoric" from Canada as indicative of a "Canadian conspiracy" while the U.S. Justice Department labelled Canadian films on acid rain a form of "political propaganda" (Albin and Paulson, 1988: 116-124; Barton, 1990: 76-77). Responding to those reactions, the American media both portrayed the administration and its industry cohorts as menacing an otherwise pro-environmental Canadian-American partnership and "...[suggested] that the Justice Department [was] engaging in bookburning and McCarthyisms" (Barton, 1990: 77).

27. American scientific bodies whose findings supported Canadian claims respecting acid rain included the National Academy of Sciences, the President's Office of Science and Technology Policy and the National Research Council. With respect to the impact which the findings of these U.S. bodies had on Reagan's credibility, it has been noted that the administration "...was fast running out of excuses for [its] reluctance to curb acid rain..." (Park, 1987: 208-209).

28. The contention that Reagan continued to prioritize the economic dimension is supported with reference to the reason behind Ruckleshaus' inability to produce an acid rain policy. Specifically, Ruckleshaus' plan encountered stiff opposition when presented to the Cabinet Council on Natural Resources and Environment, opposition centred on the economic costs of controls and supported by the President (Stewart, 1988: 69).

29. The contention that Canada was both increasingly susceptible to escalation tendencies and still committed to its reference point is indicated by comments made in January 1983. First, growing susceptibility to escalation tendencies was made apparent both by the statement that Canada was disappointed and by the accusation that the U.S. government was purposefully failing to honour its MOI commitment. Second, reference point commitment was signified by Canada's statement that the U.S. delay in adopting controls was not acceptable to Canada (Stewart, 1988: 70).

30. Comments made by Canadian Environment Minister Charles Caccia indicate that exposing the U.S. to international ridicule was at least one motive behind Canada's instrumental role in forming the "30% club." Caccia said "[we] hope that the diplomatic, psychological and moral impact...will register the strongest possible message with the Americans" (Caccia, quoted in Golich and Young, 1992: 34). With respect to ridiculing the U.S. government at the domestic level, it has been noted that the driving force behind Canada's unilateral imposition of controls was the intention of discrediting the administration's charge that Canada was not itself doing enough to justify demanding U.S. controls (Wilcher, 1989: 28).

31. The acid "alarm" became still more shrill when a series of U.S. scientific reports variously reported that acid damages were severe in the northeastern U.S., accelerating across the whole of the U.S., and likely to become much worse in the absence of controls (Park, 1987: 209).

32. It has been noted that northeastern states purposefully escalated their tactics in order to "...put pressure on Congress to adopt realistic nationwide standards, and thus force a reduction in [emissions]..." (Park, 1987: 212). Tactics reflecting their escalation tendencies included the following: i) six states launched a lawsuit against the federal government for the EPA's failure to impose controls (NYT, March 21 1984, p.13, quoted in Park, 1987: 211); and ii) seven states appealed an EPA rejection of their 1980 and 1981 petitions concerning the EPA failure to impose controls (NYT, December 7 1984, p.22, quoted in Park, 1987: 211).

33. Each leader likely remained susceptible to the same escalatory forces. First, the U.S. refusal to honour Ruckelshaus' promise of a control policy implied that Canada was susceptible to escalation from recent loss while ongoing instability in the U.S. status quo implied the same for Reagan. Second, negative deviation from maintenance of the U.S. status quo implied that Canada both evaluated the acid rain issue from the perspective of an inclusive account and anticipated future loss in the absence of corrective action while negative deviation from ongoing instability in that status quo implied the same for Reagan.

34. The contention that Reagan's refusal to implement the Special Envoy recommendation calling for controls evinced an intention to appear as though moving toward controls is supported not only by the foregoing analysis, but by the obvious judgement that it was "...a further U.S. delaying tactic" (Wilcher, 1989: 27).

35. As part of its renewed effort to affect the U.S. commitment to controls at the individual and Congressional levels, Canada spent over \$600,000 in its 1987 media campaign to influence U.S. public opinion (Wilcher, 1989: 71).

36. Two Congressional changes were particularly important to the future of the acid rain negotiations. First, Robert Byrd was replaced by George Mitchell in his position as Senate majority leader. While Byrd's "sensitivity" to polluter interests in his state

had encouraged him to consistently derail acid rain bills, Mitchell's representation of a "victim" constituency had resulted in his never ending introduction of acid rain bills. Second, Speaker Jim Wright announced that a clean-air bill was amongst his top priorities for the 101st Congress (Golich and Young, 1992: 29-31, 65).

37. In addition to scholarly statements, the supposition that India lacked an innate interest in possessing Pakistani territory is supported with reference to Indian motives for provoking war. To understand both those motives and their evolution into India's post-war ambitions, it is instructive to briefly outline the history of events in order to illustrate that civil strife in Pakistan threatened Indian domestic stability while subsequently affording it the opportunity to establish regional primacy and settle Kashmir.

To begin, the tension between Pakistan's east and west wings was both intense and multifold. First, west Pakistanis were predominantly Punjabi while east Pakistanis were predominantly Bengali. Second, west Pakistanis regarded Bengali Islam as tainted by Hinduism and thus in need of "purification." Third, west Pakistan dominated the central government and military while east Pakistan suffered from extreme poverty. Finally, east Pakistan considered the 1965 war with India an effort to service the interests of the west at the expense of suffering in the east. In sum, the ethnic and psychological differences between the two wings were exacerbated by political and economic alienation.

Exacting a stronger influence over intra-Pakistan relations than the shared abstract allegiance to Islam, east-west alienation created the conditions for Indian intervention when efforts at east-west reconciliation were punctuated by a military crackdown in the east. Specifically, India was motivated to intervene for two reasons. First, Pakistan's disintegration assumed great symbolic importance for India as it supported the long held claim upon which India was founded (i.e., religion alone could not unite a nation). Second, 9.8 million refugees from east Pakistan threatened to plunge India into the same civil strife that plagued Pakistan since it: i) entailed extreme demands on already scarce resources; ii) prompted great fear that India's Marxist guerillas would recruit supporters from amongst the refugees; and iii) generated anxiety that India's delicate balancing of ethnic, religious and linguistic differences would shatter in the face of resentment occasioned by the material hardship of caring for the refugees.

In short, Indian motivations to intervene in Pakistan's civil strife reflected both the ideological forces encouraging each state to seek domestic stability through repudiating the ideological tenets of the other, and the material forces demanding that India seek domestic stability through intervening in west Pakistan's efforts to force its ideology on east Pakistan. After securing Soviet support and realizing that neither the U.S. nor China would intervene on Pakistan's behalf, India proceeded to service its motivations by using covert warfare to purposefully provoke Pakistan into attacking India and thereby provide it with an excuse for overt intervention. The consequences of intervention then provided India with the opportunities to establish regional primacy and settle Kashmir since the war empowered India while crippling

Pakistan. Pakistan's domestic turmoil had thus both threatened Indian domestic harmony and subsequently afforded it the opportunity to "deal" with Pakistan "once and for all." (For a detailed critique both of India's motives for war and the evolution of those motives into its post-war ambitions, see: Ganguly, 1986).

38. The contention that gain on the value dimension concerning bilateralism was occasioned by the continued absence of concentrated external influence is supported with reference to three considerations. First, the United States was unlikely to directly intervene in events on the Indian subcontinent as it was preoccupied both with Presidential elections and Vietnam (Subrahmanyam, 1972: 133). Second, the Chinese were similarly unlikely to directly intervene since their army-party controversy militated against undertaking action focusing attention on its armed services, their primary concern was Vietnam, and their capabilities were insufficient for dealing with two crises at the same time (Subrahmanyam, 1972: 133). Third, the Soviets might have wanted to directly intervene but India was determined not to situate itself in a position "...from which it would have to rely too heavily and exclusively on the Soviet Union" (Bokhari and Thornton, 1988: 14).

39. The following selected examples are indicative of several pre-negotiation comments intended by Bhutto to indicate that he supported both India's reference point and its ambitions on at least two value dimensions. With respect both to India's reference point and its concomitant value dimension concerning peaceful dispute resolution, Bhutto stated that "...his country wanted to make a break with the past- a past of strife- and would try for good relations with India" (Bhutto, quoted in Chopra, 1992: 477). In terms of India's value dimension concerning bilateralism, Bhutto mentioned the possibility of a future confederation and supported that possibility by remarking that "[with] better relations between the states of the region, the sub-continent would be freed from the pulls and pressures of outside Powers..." (Dayal, 1972: 108).

40. Recent losses respecting value dimensions associated with Pakistan's reference point were, of course, Indian control of 5,000 miles of western Pakistani territory and 91,498 Pakistani POWs (Bokhari and Thornton, 1988: 5).

41. The contention that Pakistan prioritized its own value dimensions but gave consideration to the Indian dimensions is observed by the comment that

[for] Pakistan, the issues of immediate significance corresponded to eliminating the immediate consequences of war: repatriating 92,000 prisoners of war and recovering India held territory. Even so, Bhutto realized that he had to define Pakistan's position on issues within the constraints of discussions on the gamut of Indo-Pakistani relations..." (Bokhari and Thornton, 1988: 7).

42. The supposition that Pakistan was acting as a unitary actor who would not concede is further supported with reference both to its national antagonism toward India and to the observation that within Pakistan "[the] press, the political parties, and different pressure groups were vocal and emphatic in their assertions that national honour should not be compromised at the forthcoming summit" (Ali, 1972: 55).

43. India's lack of the issue-specific power associated with alternatives is made clear by its judgements that "...humiliating Pakistan would have been unwise and would only have sown the seeds of future war" (Bokhari and Thornton, 1988: 11) while pacifying Pakistan would allow "India, by her generous nature, [to] win the heart of Pakistan [such that] the latter would be prepared for a real peace with India..." (Mansingh, 1984: 228).

44. Pakistan's lack of the issue-specific power associated with alternatives was made clear by Bhutto's judgement that "...if he failed at Simla in reaching an agreement with India, it would be made an issue by his political opponents at home" (Ali, 1972: 55).

45. Bhutto's tours included stops at Iran, Turkey, Morocco, Algeria, Tunisia, Libya, Egypt, Syria, Abu Dhabi, Kuwait, Lebanon, Jordan, Saudi Arabia, Somalia, Ethiopia, Sudan, Nigeria, Guinea, and Mauritania (Chopra, 1992: 474). Joint communiques issued from the capitals of all these locations called for the withdrawal of Indian troops from Pakistani territory and for the repatriation of Pakistani POWs (Mansingh, 1984: 227).

46. Expressing support for Pakistan through implied military threats against India, the U.S. Seventh Fleet sailed into the Bay of Bengal under the leadership of an armed nuclear powered aircraft while the Chinese dramatically intensified their border patrols (Subrahmanyam, 1972: 132).

47. The contention that Pakistani agreement to bilateral dispute resolution implied that final settlement on Kashmir would reflect India's aggregate structural power is supported with reference to two observations. First, "[the] package proposal in general was a long-term ratification of the regime change; Kashmir would fall into place when that came about" (Bokhari and Thornton, 1988: 19). Second, bilateral dispute resolution concerning Kashmir suggested that neither side would unilaterally alter the line of control by force and that, therefore, India's preference would prevail (Ali, 1972: 72).

48. The contention that Indian gains were abstract at best is supported with reference to commentaries respecting both the non-binding legalities informing its gains and Pakistan's manipulation of its consequent legal superiority. (For detailed arguments concerning both the non-binding legalities of the Simla accord and

Pakistan's manipulation of its consequent legal superiority, see: Ali, 1972; Bhutto, 1972; Mustafa, 1972; and Mansingh, 1984).

49. The claim that India did not prioritize its value dimension concerning Pakistani recognition of Bangladesh is supported with reference to the fact that India immediately dropped its demands respecting recognition at the outset of Simla for fear of jeopardizing movement toward durable peace (Bokhari and Thornton, 1988: 30).

50. India's fear that failure to release the POWs would cause negative reference point deviation is neatly summarized in the comment that "[the] prisoner issue [had] developed into the single biggest source of pressure on the Simla Agreement and the attitudes [India] expected the two countries to adopt mutually " (Bhargava, 1992: 348).

Chapter Four

This chapter summarizes findings respecting the effort to apply hypotheses based on prospect theory, and offers both some "asymmetrically prescriptive/descriptive" statements and some conclusions regarding the question posed in chapter one. The question was: can prospect theory provide a theoretical foundation for the descriptive analysis of concessionary behaviour? For reasons of clarity, this chapter comprises four sub-sections, one coincident with each of its purposes and one representing a conclusion.

Summary of Findings

Throughout the case studies, instances of "the weak prevailing while the strong conceded" were associated with the operation of certain hypotheses in conjunction with the partial operation of other hypotheses (i.e., only one actor was affected by the forces identified with an hypothesis). To simplify complexities accompanying case-specific findings while avoiding a repetition of chapter three, the summary of findings proceeds as follows: i) identifying whether an hypothesis was operative or inoperative, determining whether an operative hypothesis was validated or invalidated, and examining insights respecting its operation or inoperation; and ii) investigating whether an operative hypothesis co-existed with the operation of other hypotheses and, if so, the relationship between the focal and secondary hypotheses.

1a) Prior Outcomes, Reference Point Selection and Psychological Accounts

The hypothesis was formulated as follows: under asymmetrical power, it is more probable that the "weak will prevail while the strong concede" when the weak evaluate options from the perspective of an inclusive account while the strong evaluate options from the perspective of a minimal account.

When the above hypothesis was operative, the strong consistently conceded in the face of non-concession by the weak. Although the hypothesis was thereby validated, two considerations attend the observation that it was not operational across all instances wherein "the weak prevailed while the strong conceded." First, its validation and non-universality together suggest that its operation is an important, though not essential, condition informing success by the weak at the expense of the strong. Second, its non-universality suggests that theoretical development must address instances wherein actors concede even though evaluating options from the perspective of an inclusive account. The seeming paradox of concessionary behaviour on the part of actors holding inclusive accounts occurred under conditions wherein the "balance" of intra-state actors held inclusive accounts whose negative balances they attributed to the actions of their coalition such that the intra-state "balance" demanded that the coalition concede. With respect to asymmetrical negotiation, theoretical development thus demands constructing a hypothesis wherein the "balance" of intra-state actors associated with both the weak and the strong attribute inclusive accounts to the actions of the strong such that the weak exhibit non-concessionary behaviour while the strong exhibit concessionary behaviour.

Operation of the focal hypothesis consistently co-existed with operation of the following secondary hypotheses: i) Stereotypes and the Perception of Probabilities; ii) "Fairness," Image and Motive Attributions, and the Granting of Concessions; and iii) Unitary Actors and the Perception of Probabilities (i.e., evaluations of a coalition as a unitary actor who will or will not concede). Since the focal hypothesis was consistently associated with the secondary hypotheses while the latter were not consistently associated with the former, results suggest both that operation of the former implies operation of the latter and that operation of the latter is not dependent upon operation of the former.

The focal hypothesis also occasionally co-existed with the following secondary hypothesis: Multiple Reference Point Deviations, Aggregation/Disaggregation and Risk Propensities (i.e., risk-averse single frames and risk-seeking separate frames). Instances wherein the focal hypothesis did not co-exist with the framing hypothesis were attributable to intra-state balances wherein the "balance" of inclusive account holders associated their negative account balances with the actions of their coalition such that the "balance" of actors compelled focal negotiators to adopt risk-averse single frames. Given these considerations, results indicate both that the hypotheses may co-exist and that operation of one is not dependent upon operation of the other.

1b) Reference Point Deviations and Risk Propensities

The hypothesis was as follows: in asymmetrical negotiations, there is a greater likelihood of the weak prevailing over the strong when the weak adopt either a status quo reference point and evaluate the status quo as acceptable yet dynamic, or adopt

a reference point other than the status quo and evaluate the latter as a negative deviation from the former, while the strong adopt a status quo reference point and evaluate the status quo as acceptable and stable.

The above hypothesis was neither validated nor invalidated since it was never operative. Attributable to the circumstance that negotiations were occurring, no actor ever adopted a status quo reference point and evaluated the status quo as acceptable and stable. Indeed, it may be argued that the hypothesis is actually invalidated by its inherent irrelevance in the negotiation context. Specifically, negotiation implies status quo instability. Together with the concomitant finding that all concessions were associated with reference points whose perspective encouraged risk-seeking behaviour, this circumstance suggests that the hypothesis must be reformulated. Based on chapter three findings, the reformulation should consider that: i) non-concession by the weak is associated with the "balance" of intra-state actors both holding reference points whose perspective encourages risk-seeking behaviour and attributing loss to the actions of the strong such that a prospect is evaluated either as a risk-seeking single-value outcome or in risk-seeking separate frames; and ii) concession by the strong is associated with the "balance" of intra-state actors both holding reference points whose perspective encourages risk-seeking behaviour and attributing loss to the actions of the strong such that a prospect is evaluated either as a risk-averse single-value outcome or in a risk-averse single frame. In other words, the reformulation should consider that reference point deviations encourage risk-seeking non-concession when loss is associated with the

actions of an opponent while encouraging risk-averse concession when loss is associated with the actions of one's own coalition.

1c) Multiple Reference Point Deviations, Aggregation/Disaggregation, and Risk Propensities

The hypothesis was constructed as follows: under asymmetry, it is more likely that the strong will concede while the weak prevail when the strong adopt a single frame while the weak adopt separate frames.

When the terms of the above hypothesis were satisfied, the strong consistently exhibited concessionary behaviour while the weak consistently exhibited non-concessionary behaviour. The hypothesis was thus validated. Two considerations attend the observation that the hypothesis was not operative at all points wherein "the weak prevailed while the strong conceded." First, its validation and non-universality together suggest that it is an important, though not essential, condition informing success by the weak at the expense of the strong. Second, the observation that its non-universality was attributable to one actor evaluating a prospect as a single-value outcome suggests that theoretical development demands the construction of hypotheses concerning instances wherein one actor evaluates a prospect as a single-value outcome while its opponent evaluates a prospect as a multi-value outcome.

Operation of the framing hypothesis consistently co-existed with operation of the following secondary hypotheses: i) Stereotypes and the Perception of Probabilities; ii) "Fairness," Image and Motive Attributions, and the Granting of

Concessions; and iii) Unitary Actors and the Perception of Probabilities. Since the focal hypothesis consistently co-existed with the secondary hypotheses while the latter did not consistently co-exist with the former, results imply both that operation of the focal hypothesis necessarily implies operation of the secondary hypotheses and that operation of the latter is not dependent upon operation of the former.

While consistently co-existing with certain hypotheses, the focal hypothesis occasionally co-existed with the following secondary hypothesis: Prior Outcomes, Reference Point Selection, and Psychological Accounts. Instances wherein the focal hypothesis did not co-exist with the secondary hypothesis were attributable to actors associated with the strong holding inclusive accounts whose negative balances they associated with the actions of the strong such that the coalition was compelled to adopt a risk-averse single frame. As discussed with respect to the psychological account hypothesis, results indicate both that the hypotheses may co-exist and that operation of one is not dependent upon operation of the other.

1d) Conditions Favouring the Disaggregation of Multiple Reference Point Deviations and Risk-seeking

The hypothesis was as follows: the prospect of the weak prevailing over the strong is enhanced when the weak are subject to the influence of conditions encouraging disaggregation while the strong are immune to such influence.

Resting on the supposition that disaggregation is encouraged when multiple reference point deviations are evaluated either as recent occurrences or as the certain result of a given set of circumstances, the above hypothesis was neither

validated nor invalidated since it was never operative. Reflecting the same limitation attending construction of the hypothesis concerning Reference Point Deviations and Risk Propensities, it may be argued that this hypothesis is similarly rendered invalid by its inherent irrelevance in the negotiation context. Specifically, negotiation implies status quo instability and hence either recent loss and/or the prospect of loss resulting from a certain set of circumstances. Together with the finding that actors aggregated outcomes into a single frame despite their susceptibility to conditions favouring disaggregation, this consideration suggests that the hypothesis must be reformulated. Building on insights from the chapter three analysis, such reformulation should consider that actors susceptible to conditions favouring disaggregation will instead aggregate outcomes when the "balance" of intra-state actors evaluate that: i) loss from a certain set of circumstances may be avoided by concession; and/or ii) loss from a certain set of circumstances, loss that may be avoided by concession, is greater than recent loss.

1e) Reference Point Deviations, Risk Propensities and Choice

The hypothesis was as follows: in the context of asymmetrical negotiations, it is more likely that the weak will prevail over the strong when the weak are evaluating: i) certain and immediate losses from agreement; or ii) small and certain losses from agreement and larger but uncertain losses from a failure to agree, while the strong are evaluating: i) certain and immediate losses from a failure to agree; or ii) small and certain losses from a failure to agree and larger but uncertain losses from agreement.

Reflecting complexities surrounding case-specific interactions amongst multiple evaluation and escalatory forces, the above hypothesis was neither validated nor invalidated since it was never operational. Most important, instances wherein both actors initially evaluated a prospect as a single-value outcome were transformed by pre-negotiation tactical manoeuvring into multi-value outcomes with multiple actors competing to prioritize the value dimension associated with their single-value outcome reference points. Given that negotiations are subject to tactical manoeuvring on the part of actors both inside and outside the formal process it may be suggested that this hypothesis is unlikely to become operative since it is extremely unlikely that more than one actor will evaluate a prospect as a single-value outcome. Nevertheless, the finding that one actor can eventually re-evaluate a prospect as a single-value outcome suggests that this hypothesis should be reformulated in the manner outlined in the section respecting the framing hypothesis. Specifically, the hypothesis should be reformulated with reference to instances wherein one actor evaluates a prospect as a single-value outcome while its opponent evaluates a prospect as a multi-value outcome.

2a) Unitary Actors and the Perception of Probabilities

The hypothesis was formulated as follows: under asymmetry, there is a greater prospect of the weak prevailing while the strong concede when the weak evaluate that the balance of intra-state forces renders its coalition a unitary actor who will not concede while the strong evaluate that the balance of intra-state forces renders its coalition a unitary actor who will concede.

When the above hypothesis was operative, the strong consistently conceded while the weak consistently refused to concede. The hypothesis was thus validated. More importantly, this hypothesis is distinguished from all but two of the hypotheses by the circumstance that it was operative across all points wherein concession by the strong corresponded with non-concession by the weak. The secondary hypotheses with which the focal hypothesis consistently co-existed were, of course, those same hypotheses which share the distinction of operating across all points where "the weak prevailed while the strong conceded," specifically: i) Stereotypes and the Perception of Probabilities; and ii) "Fairness," Image and Motive Attributions, and the Granting of Concessions. The rate of correspondence between the hypotheses suggests that operation of each implies operation of the others.

In addition to consistently co-existing with two other hypotheses, the focal hypothesis occasionally co-existed with the following secondary hypotheses: i) Prior Outcomes, Reference Point Selection and Psychological Accounts; and ii) Multiple Reference Point Deviations, Aggregation/Disaggregation and Risk Propensities. Instances where the focal and secondary hypotheses did not co-exist were attributable, respectively, to: i) actors holding inclusive accounts evaluating their coalition as a unitary actor who would concede when the "balance" of intra-state forces attributed their negative balances to the actions of the coalition and thus compelled that coalition to concede; and ii) actors evaluating prospects as a single-value outcome such that the framing hypothesis was inoperative. Since the secondary hypotheses were consistently associated with the focal hypothesis while the focal

hypothesis was not consistently associated with the latter hypotheses, results suggest both that operation of the secondary hypotheses implies operation of the focal hypothesis and that operation of the latter is not dependent upon operation of the former.

2b) Stereotypes and the Perception of Probabilities

The hypothesis was formulated as follows: in cases of asymmetrical power, it is more likely that the strong will concede while the weak prevail when the strong positively stereotype the weak while the weak negatively stereotype the strong.

2c) "Fairness," Image and Motive Attributions, and the Granting of Concessions

The hypothesis was as follows: in asymmetrical negotiations, there is a greater likelihood of the weak prevailing over the strong when the weak attribute "bad faith" to the strong while the strong attribute "good faith" to the weak.

The above hypotheses are summarized concurrently due both to the obvious similarity between their variables and to the finding that each consistently co-existed with the other. These considerations together suggest that the hypotheses can and should be integrated into one hypothesis.

When the above hypotheses were operative, the strong consistently exhibited concessionary behaviour while the weak consistently exhibited non-concessionary behaviour. As previously discussed, the focal hypotheses both consistently co-existed with the unitary actor hypothesis and were operative at all points where "the weak prevailed while the strong conceded." For this reason, the focal hypotheses also

occasionally co-existed with those secondary hypotheses which also operated at points of concession by the strong in the face of non-concession by the weak. Specifically:

- i) Prior Outcomes, Reference Point Selection, and Psychological Accounts; and ii) Multiple Reference Point Deviations, Aggregation/Disaggregation and Risk Propensities. Points where the focal hypotheses did not co-exist with the psychological account and framing hypotheses were attributable, respectively, to: i) the "balance" of intra-state actors associated with the strong positively characterizing the weak when they held inclusive accounts whose negative balances they associated with the actions of the strong; and ii) the "balance" of intra-state actors evaluating prospects as a single-value outcome such that the framing hypothesis was inoperative.

Despite the focal hypotheses consistently operating in tandem with the unitary actor hypothesis across all points where the "the weak prevailed while the strong conceded," several considerations suggest that operation of the unitary actor hypothesis is the most critical condition informing success by the weak. Most generally, chapter three findings indicate that psychological accounts accompanied by characterizations of an opponent on the part of the "balance" of intra-state actors inform unitary actor evaluations which in turn inform both the outcome frame in which a prospect is evaluated and hence concessionary behaviour. For example, chapter three findings indicate that when the "balance" of intra-state actors associated with the strong both hold inclusive accounts whose negative balances they attribute to the actions of the strong and positively characterize the weak, those actors inform an evaluation that the strong is a unitary actor who will concede which in turn

informs both the adoption of a risk-averse single frame and concessionary behaviour. Since logic suggests that actors adopt an outcome frame in response to an evaluation of the "balance" of intra-state forces, logic also suggests that it is the nature of that "balance" (i.e., unitary actor evaluation) which determines concessionary behaviour. In other words, logic suggests that unitary actor evaluations are the critical link between a result (concessionary or non-concessionary behaviour) and its source (psychological accounts accompanied by characterizations of an opponent on the part of the "balance" of intra-state actors). Unitary actor evaluations are thus the critical condition informing success by the weak at the expense of the strong.

2d) "Fairness," Concession Exchange Frames, and Concession Granting

The hypothesis was constructed as follows: under asymmetry, it is more likely that the weak will prevail while the strong concede when the weak frame proposed exchanges as a reduced gain justified by losses from reciprocity while the strong frame proposed exchanges as either imposing loss or merely reducing gain.

Never operative, the above hypothesis was neither validated nor invalidated since the weak consistently framed proposed concession exchanges as loss avoidance for the strong. Apparent immunity to the concession aversion phenomenon on the part of the strong was attributable to the role of psychological accounts. Specifically, the weak framed proposed concessions either as avoiding loss for the "balance" of intra-state actors associated with the strong when those actors held inclusive accounts whose negative balances they attributed to the actions of the strong, or as avoiding loss for the strong when the strong held a minimal account. Even though the

hypothesis was never operative, it should remain available for testing since it may prove operative under conditions wherein the "balance" of intra-state forces encourage the strong to adopt an inclusive account whose negative balance they attribute to the actions of the weak. Nevertheless, insights gained from the case studies indicate that further hypotheses should be formulated, hypotheses reflecting the circumstances under which the weak may realize proposed concession exchanges by framing them as loss avoidance for the strong.

2e) "Fairness," the Framing of Contingencies and the Granting of Concessions

The hypothesis was constructed as follows: there is a greater prospect of the strong conceding while the weak prevail when the strong request concessions that are evaluated by the weak as protection against intermediate probability contingencies while those of the weak are evaluated by the strong as protection against either extreme or low probability contingencies.

When the above hypothesis was operative, the strong conceded in the face of non-concession by the weak. Although the hypothesis was thereby validated, one consideration attends the circumstance that it was rarely operative. Specifically, the "weak prevailed while the strong conceded" when both actors evaluated concessions as protection against either extreme or intermediate probability contingencies yet the weak evaluated a prospect from the perspective of separate frames while the "balance" of actors associated with the strong compelled the strong to evaluate a prospect from the perspective of a single frame. This observation suggests that

further hypotheses should be formulated. hypotheses concerning relationships between the framing hypothesis and the framing of contingencies.

The focal hypothesis consistently co-existed with those secondary hypotheses which operated across all points where the "the weak prevailed while the strong conceded." To repeat: i) Stereotypes and the Perception of Probabilities; ii) "Fairness," Image and Motive Attributions, and the Granting of Concessions; and iii) Unitary Actors and the Perception of Probabilities. Given that the focal hypothesis consistently co-existed with the secondary hypotheses while the latter infrequently co-existed with the former, results indicate both that operation of the focal hypothesis implies operation of the secondary hypotheses and that operation of the latter is independent of the operation of the former.

In addition to consistently co-existing with certain hypotheses, the focal hypothesis occasionally co-existed with the following secondary hypothesis: Multiple Reference Point Deviations, Aggregation/Disaggregation and the Risk Propensities. Instances wherein these hypotheses did not co-exist reflected the tendency for the strong to concede when both actors evaluated concessions as protection against either extreme or intermediate probability contingencies yet the weak adopted risk-seeking separate frames while the "balance" of actors associated with the strong attributed the probability of loss to the actions of the strong and thus compelled the strong to adopt a risk-averse single frame. Reflecting its rare occurrence, the focal hypothesis was far more often associated with the secondary hypothesis than was the

latter with the former. Results thus indicate both that the hypotheses may co-exist and that operation of one is not dependent upon operation of the other.

2f) Conditions Favouring Risk-seeking Escalation

The hypothesis was as follows: in cases of asymmetrical power, it is more probable that the weak will prevail while the strong concede when the weak are subject to the influence of conditions favouring escalation while the strong are immune to such influence.

The above hypothesis was neither validated nor invalidated for the reason that it was never operative. Reflecting the same limitation attending certain other hypotheses which were never operative, the hypothesis may be considered invalidated by its inherent irrelevance in the negotiation context. To repeat, negotiation implies instability and hence both the possibility of loss and susceptibility to the influence of conditions favouring risk-seeking escalation. Together with the concomitant finding that actors conceded in spite of such influence, results indicate both that the original hypothesis should be recast as a descriptive statement and that hypotheses concerning forces which "out-power" escalatory influences should be formulated. Based on chapter three findings, the relevant forces in cases of asymmetrical negotiation include: i) the "balance" of intra-state actors associated with the strong attributing inclusive accounts to the actions of the strong; and ii) the "balance" of intra-state actors associated with the strong attributing positive characterizations to the weak.

In sum, chapter three findings suggest both that certain hypotheses were validated and that other hypotheses should be retained for future testing, discarded and/or reformulated. Most importantly, findings indicate not only that operation of the unitary actor hypothesis is the most critical condition informing concessionary behaviour on the part of the strong in the face of non-concessionary behaviour on the part of the weak but that four other hypotheses also yield significant explanatory power respecting such behaviours. Specifically: i) Prior Outcomes, Reference Point Selection and Psychological Accounts; ii) Multiple Reference Point Deviations, Aggregation/Disaggregation and Risk Propensities; iii) Stereotypes and the Perception of Probabilities; and iv) "Fairness," Image and Motive Attributions, and the Granting of Concessions. Finally, findings also indicate that the nature of the issue at stake in a negotiation did not affect the operation of prospect theory based hypotheses since the findings were consistent across all case studies at those points where the hypotheses were operative.

"Asymmetrically Prescriptive/Descriptive" Statements

The following "asymmetrically prescriptive/descriptive" statements reflect chapter three findings respecting both operation of the validated hypotheses and the consequent determination that operation of the unitary actor hypothesis is the most critical condition informing instances wherein "the weak prevail while the strong concede." For reasons of clarity, the statements are grouped under headings representing each of the validated hypotheses.

i) Unitary Actors and the Perception of Probabilities

Throughout all three case studies, every instance of the strong conceding to the non-concessionary weak was identified with the weak evaluating its coalition as a unitary actor who would not concede while the strong evaluated its coalition as a unitary actor who would concede, unitary given the "balance" of intra-state forces. Most striking, these evaluations were consistently associated with a power of commitment to non-concession on the part of the weak and a lack of will to deploy aggregate structural power on the part of the strong. Although such critically important evaluations were affected by a diverse array of forces, five general statements may be advanced.

First, the weak should affect its self-evaluation as a unitary actor who will not concede through employing tactics highlighting loss from concession and, thereby, either affecting a domestic consensus respecting commitment to non-concession or maintaining and hence aggravating such a pre-existing domestic consensus. Second, the weak should encourage the strong to evaluate itself as a unitary actor who will concede by targeting tactics highlighting loss from non-agreement at constituencies associated with the strong and, thereby, depriving the strong of a will to deploy its aggregate structural power. Third, the weak should encourage the strong to evaluate itself as a unitary actor who will concede through tactics generating risk-averse tendencies toward the weak and/or risk-seeking tendencies toward the strong on the part of constituencies associated with the strong. Fourth, the weak should ideally affect unitary actor evaluations held by itself and the strong by simultaneously

generating both risk-averse tendencies toward the weak and risk-seeking tendencies toward the strong on the part of constituencies associated with the strong, and generating or aggravating domestic consensus respecting commitment to non concession.

ii) Multiple Reference Point Deviations, Aggregation/Disaggregation and Risk Propensities

Across all case studies, a refusal to concede on the part of the weak and a willingness to concede on the part of the strong was affected by framing and hence coincident with unitary actor evaluations. Specifically, susceptibility on the part of the weak to risk-seeking separate frames and susceptibility on the part of the strong to a risk-averse single frame. As was with the case with other forces informing concessionary behaviours, susceptibility to framing was occasioned by the interaction of multiple forces and, despite that circumstance, it is nevertheless possible to offer some general statements.

First, the weak should affect on the part of the strong a risk-averse single frame wherein loss on one value dimension is cancelled against gains on a more highly prized dimension(s) through tactics expanding the range of issues and actors exacting an influence over evaluations by the strong. Second, the weak should affect for itself risk-seeking separate frames wherein gains on one value dimension are outweighed by losses on more highly prized dimensions through tactics either narrowing the range of issues and actors exacting an influence over its own evaluations or prioritizing those considerations in a manner conducive to generating

risk-seeking tendencies. Third, the weak should concurrently employ tactics dedicated to both of the above since the combined impact of those tactics implies that there is a greater likelihood of the weak considering itself a unitary actor who will not concede while the strong considers itself a unitary actor who will concede.

iii) Prior Outcomes, Reference Point Selection and Psychological Accounts

Throughout all case studies, instances where the strong conceded while the weak prevailed were associated with the influence exacted by psychological accounts and, thereby, the unitary actor hypothesis. Specifically, the strong held a minimal account while the weak held an inclusive account, or the "balance" of actors associated with both held inclusive accounts whose negative balances they attributed to the actions of the strong. Even though the influence exacted by psychological accounts was occasioned by complex interactions among multiple actors, several general statements may be advanced.

First, the weak should encourage the strong to adopt a minimal account on the focal issue(s) through tactics highlighting recent gains made by the strong at the expense of the weak. Second, the weak should affect for itself an inclusive account on the focal issue(s) through tactics coincident with those employed for the purpose of encouraging the strong to adopt a minimal account on the focal issue(s). Third, the weak should affect the "balance" of concessionary behaviours amongst actors associated with the strong through tactics encouraging those actors associated with the strong who hold inclusive accounts on the focal issue(s) both to attribute their negative balances to the actions of the strong and to associate concession by the

strong with a return to neutral account balances. Fourth, the weak should affect the "balance" of concessionary behaviours amongst actors associated with the strong through tactics which both expand the range of issues related to a negotiation on the part of the strong and indicate that concession on the focal issue(s) avoids movement toward negative balances on related issues. Fifth, the weak should affect the "balance" of concessionary behaviours amongst its domestic constituents either through tactics expanding the range of issues related to a negotiation and implying that negative balances on those issues follow from concession on the focal issue(s), or through tactics restricting the range of issues related to a negotiation to the focal issue(s) and indicating that negative balances on the focal issue(s) follow from concession. Finally, the weak should ideally affect all of the above since their combined impact enhances the probability of the strong considering itself a unitary actor who will concede while the weak considers itself a unitary actor who will not concede.

iv) Stereotypes and the Perception of Probabilities; and

v) "Fairness," Image and Motive Attributions, and the Granting of Concessions

Once again, the above hypotheses are considered concurrently due both to the obvious similarity between their variables and to the observation that each consistently co-existed with the other. That is, the hypotheses are considered concurrently due to the finding that they can and should be integrated into one hypothesis.

In each case study, every concession by the strong in the face of a refusal to concede by the weak was characterized by the "balance" of forces associated with the strong positively characterizing the weak while the weak negatively characterized the strong. Although these attributions consistently accompanied unitary actor evaluations and were often associated with a number of other forces, several general statements are warranted.

First, the weak should affect positive characterizations of itself on the part of constituencies associated with the strong through tactics portraying itself either as a "weak victim" and/or as an actor seeking to satisfy a goal coincident with that of the relevant constituencies. Second, the weak should affect negative characterizations respecting its formal negotiating partner on the part of constituencies associated with that partner through tactics coincident with those employed for the purpose of encouraging those constituencies to positively characterize itself. Third, the weak should generate and/or aggravate negative characterizations respecting the strong on the part of its domestic constituency. Fourth, the weak should affect positive characterizations respecting itself on the part of its formal negotiating partner through alternating tactics aimed at affecting negative characterizations respecting its partner with tactics indicating that it attributes positive characterizations to that partner. Fifth, the weak should simultaneously affect all of the above since their combined impact creates a confusing array of "mixed messages" such that its formal negotiating partner is able to believe that fulminations by the weak reflect pre-existing domestic constraints and that the weak may in fact possess positive

attributions. Finally, the weak should ideally employ tactics affecting all of the above since their combined affect enhances the probability of the weak considering itself a unitary actor who will not concede while the strong considers itself a unitary actor who will concede.

Given that the "asymmetrically prescriptive/descriptive" statements offered above derive from observations consistent across all case studies, two additional statements may be advanced. First, the fact that the unitary actor hypothesis was operative across all instances of "the weak prevailing while the strong conceded," together with the judgement that its operation is the most critical condition respecting success by the weak, implies that the weak should deploy tactics respecting all hypotheses in a manner likely to affect unitary actor evaluations. Second, the nature of the association between unitary actor evaluations and concessionary behaviours implies that the weak should never perceive negotiation as a joint gain exercise but, instead, should always perceive negotiation as a "zero-sum" enterprise since the latter perception encourages risk-seeking loss aversion and hence unitary commitment to non-concession.

Prospect Theory and Descriptive Analysis

Chapter three findings respecting the operation of hypotheses based on prospect theory indicate that the theory can provide a theoretical foundation for the descriptive analysis of concessionary behaviour. Most generally, findings indicate that analysis conducted in terms coincident with the hypotheses provided valuable insights

respecting both the relationship of gain/loss evaluations with concessionary behaviour, and the effect of that relationship on dynamic interactions between structural and behavioural power variables. More specifically, findings indicate that: i) the unitary actor hypothesis was both validated and proven essential by consistently operating across all points of concession by the strong in the face of non-concession by the weak; ii) certain hypotheses were validated yet found to be inessential determinants of concessionary behaviour; iii) no hypotheses were proven invalid by operating at points where the strong prevailed while the weak conceded; and iv) certain hypotheses were neither validated nor invalidated since they were inoperative at all points of concession by either the weak or the strong. With respect to the latter finding, chapter three analysis indicates that the relevant hypotheses were either indirectly invalidated by their inherent irrelevance in the negotiation context and/or are susceptible to reformulation. In sum, the explanatory power accompanying application of the hypotheses implies that prospect theory can provide a theoretical foundation for the descriptive analysis of concessionary behaviour while limitations attending the application of certain hypotheses suggests that fully exploiting such power requires "stepping backward" in the theory building process.

A consideration of the findings outlined above indicates that "stepping backward" in the theory building process actually entails at least four "steps backward." Step one will require discarding those hypotheses which were indirectly invalidated by their inherent irrelevance in the negotiation context. Step two will require both formulating new hypotheses and reformulating certain of the current

hypotheses in terms coincident with testing results. Step three will require testing the new and reformulated hypotheses. Step four will, of course, require repeating all of the above steps as the theory building process gradually progresses. In sum, the process of constructing a negotiation theory premised on prospect theory will yield considerable frustration made worthwhile by an even more considerable knowledge of concessionary behaviour. In other words, a scholar whose reference point concerns exploiting prospect theory's explanatory power will evaluate that a failure to embark on the theory building process yields gain on the frustration dimension while yielding loss on the more highly prized knowledge dimension. Risk-seeking loss aversion will thus dictate a willingness to deploy intellectual resources in spite of costs from frustration.

Conclusion

This paper has attempted to formulate and test prospect theory-based hypotheses respecting concessionary behaviour. Concerned specifically with cases of asymmetrical power wherein "the weak prevailed while the strong conceded," four particularly important findings merit reiteration while the sum of all findings is encapsulated in a final comment related to the fourth critical finding. First, chapter three findings indicate that the nature of the issue at stake in a negotiation does not affect the explanatory power accompanying prospect theory-based hypotheses since findings were consistent across all cases studied at those points where the hypotheses were operative. Second, insights accompanying chapter three analysis indicated that

prospect theory can provide a theoretical foundation for the descriptive analysis of concession by the strong in the face of non-concession by the weak. Third, limitations respecting application of the hypotheses identified the "steps" demanded by the theory building process. Finally, the most intriguing finding concerned the observation that unitary actor evaluations are seemingly the most critical factor explaining cases of asymmetry wherein the weak beat the strong.

Reflecting the import of relations between unitary actor evaluations and concessionary behaviour, the final comment concerns the following question: why do the weak beat the strong? The answer seems to be that the weak beat the strong when the weak evaluates its coalition as a unitary actor who will not concede while the strong evaluates its coalition as a unitary actor who will concede. In this circumstance, the weak thereby enjoys an issue-specific power of commitment to non-concession while the strong suffers a lack of will to deploy its aggregate structural resources in a manner capable of causing a preferred outcome in its relationship with the weak. "Negotiation power" thus rests in the power of commitment such that "the weak prevail while the strong concede" if the weak possess power of commitment while the strong possess "only" aggregate structural power.

Appendix A

The following examples evidence the data upon which prospect theory is based. With the exception of format changes, the examples are presented as direct quotations. The total number of respondents is denoted by N and the percentage who chose each option is noted in brackets beneath the options.

1 These choice problems indicate that preferences over objectively equivalent outcomes can be reversed by combining the effects of framing with contradictory attitudes toward gains and losses.

Problem 1 [N = 152]:

Imagine that the U.S. is preparing for the outbreak of a rare Asian disease, which is expected to kill 600 people. Two alternative programs to combat the disease have been proposed. Assume that the exact scientific estimate of the consequences of the programs are as follows:

If Program A is adopted, 200 people will be saved.

[72]*

If Program B is adopted, there is a 1/3 probability that 600 will be saved, and 2/3 probability that no people will be saved.

[28]

Which of the two programs would you favour?...

A second group of respondents was given the formulation (framing) of the alternative programs, as follows:

Problem 2 [N = 155]

If Program C is adopted, 400 people will die.

[22]

If Program D is adopted, there is a 1/3 probability that nobody will die, and 2/3 probability that 600 people will die.

[78]*

Which of the two programs would you favour?

(Kahneman and Tversky, 1981: 453)

Although both versions of the program described objectively equivalent outcomes, the majority response to Problem 1 was a risk-averse preference for program A over program B while the majority response to Problem 2 was a risk-seeking preference for program D over program C. The only difference between the choices posed was the manner in which they were framed. Problem 1 was framed such that the reference point was the death of 600 people and the outcome deviations of the programs were evaluated as lives saved (gains). Problem 2 was framed such that the reference point was no deaths and the outcome deviations of the programs were evaluated as lives lost (losses). The Problems thus elicited contradictory risk propensities due to the conjunction of the framing effect with contradictory attitudes toward gains and losses (Tversky and Kahneman, 1981: 453; and Kahneman and Tversky, 1982: 166-167).

2 These choice problems indicate that both evaluation results and risk propensities vary by whether a positive or negative frame is adopted.

Problem 11 [N = 70]: In addition to whatever you own, you have been given 1,000. You are now asked to choose between

A: (1,000, .50), and B: (500)

[16]

[84]*

Problem 12 [N = 69]: In addition to whatever you own, you have been given 2,000. You are now asked to choose between

C: (-1,000, .50), and D: (-500)

[69]*

[31]

(Kahneman and Tversky, 1979: 273)

Since Problem 12 was obtained from Problem 11 by adding 1,000 to the initial bonus and subtracting 1,000 from all outcomes, the two choice problems yield objectively equivalent final states. Specifically,

$A = (2,000, .50; 1,000, .50) = C$, and $B = (1,500) = D$ (Kahneman and Tversky, 1979: 273). The contradictory preferences exhibited in Problems 11 and 12 indicate that the respondents did not take a comprehensive view of the outcomes, as is assumed by EUT. Instead, they neglected to consider the bonus that was common to both options in Problems 11 and 12, evaluating the first Problem as a choice between gains and the second as a choice between losses (Slovic and Lichtenstein, 1985: 602). The data thus supports the hypothesis that the carriers of value are deviations from a neutral reference point. This example also supports the hypothesis that individuals are risk-averse for positive prospects and risk-seeking for negative ones (Kahneman and Tversky, 1979: 273). Indeed, the majority response in Problem

11 was a risk-averse preference for prospect B over prospect A while the majority response in Problem 12 was a risk-seeking preference for prospect C over prospect D.

3 These choice problems indicate that the shape of the value function is normally concave above the reference point and convex below it.

Problem 13 [N = 68]:

(6,000, .25), or (4,000, .25; 2,000, .25).

[18] [82]*

Problem 13' [N = 70]:

(-6,000, .25), or (-4,000, .25; -2,000, .25).

[70]* [30]

(Kahneman and Tversky, 1979: 278)

Although the two options in each of the Problems yield the same final state, the respondents exhibited contradictory preferences. In Problem 13, the majority response indicates that $v(6,000) < v(4,000) + v(2,000)$. In Problem 13', the majority response indicates that $v(-6,000) > v(-4,000) + v(-2,000)$ (Kahneman and Tversky, 1979: 278). The results thus support the hypothesis that the value function is concave for gains and convex for losses.

4 These choice problems indicate that dominant risk propensities are reinforced both by the combined impact of the certainty and reflection effects and by the underweighting of intermediate probabilities.

Problem 3 [N = 95]:

A: (4,000, .80), or B: (3,000).

[20] [80]*

Problem 3' [N = 95]

C: (-4,000), .80), or D: (-3,000).

[92]* [8]

(Kahneman and Tversky, 1979: 268, Table 1)

The data yields two implications. First, the contrast of the majority preference for option B in Problem 3 with the majority preference for option C in Problem 3' implies that risk-aversion in the positive domain is accompanied by risk-seeking in the negative domain (the reflection effect). Second, the preferences expressed in each option indicate that both the certainty effect and the tendency to underweight intermediate probabilities reinforce dominant risk propensities. That is, the majority response in Problem 3 shows that a smaller, certain gain is preferred to a larger, highly probable gain while the majority response in Problem 3' shows that a larger, highly probable loss is preferred to a smaller, certain loss (Kahneman and Tversky, 1979: 268-269).

5 These choice problems indicate that the overweighting of small probabilities can reverse dominant risk propensities.

Problem 14 [N = 72]:

A: (5,000, .001), or B: (5).
[72]* [28]

Problem 14' [N = 72]:

C: (-5,000, .001), or D: (-5).
[17] [83]*

(Kahneman and Tversky, 1979: 281)

The majority response in Problem 14 indicates that people exhibit a risk-seeking preference for the small probability of a large gain over the certainty of a small gain. These are precisely the conditions under which people purchase lottery tickets (Levy, 1994: 14). Contrarily, the majority response in Problem 14' indicates that people exhibit a risk-averse preference for the certainty of a small loss over the small probability of a large loss. These are the conditions under which people purchase an insurance premium (Kahneman and Tversky, 1979: 281). The data thus supports the hypothesis that dominant risk propensities are reversed by the tendency to overweight small probabilities.

6 These choice problems indicate that people tend to overweight outcomes that are considered certain relative to those which are deemed probable.

Problem 1 [N = 72]: Choose between

A: 2,500 with probability .33. B: 2,400 with certainty

2,400 with probability .66,

0 with probability .01;

[18]

[82]*

Problem 2 [N = 72]: Choose between

C: 2,500 with probability .33. D: 2,400 with probability .34

0 with probability .67; 0 with probability .66

[83]*

[17]

(Kahneman and Tversky, 1979: 266)

Since the majority of respondents chose option B in Problem 1 and option C in Problem 2, the pattern of responses can be seen to violate EUT predictions. According to EUT, with $u(0) = 0$, the first preference implies $u(2,400) > .33 u(2,500) + .66 u(2,400)$ or $.34 u(2,400) > .33 u(2,500)$ while the second preference implies the reverse inequality (Kahneman and Tversky, 1979: 266). Noting that Problem 2 is obtained from Problem 1 by eliminating a .66 chance of winning 2,400 from both prospects under consideration, Kahneman and Tversky posit that this change is responsible for the pattern of preferences. That is, the change "...produces a greater reduction in desirability when it alters the character of the prospect from a sure gain to a probable one, than when both the original and the reduced prospects are uncertain" (Kahneman and Tversky, 1979: 266).

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7 These choice problems indicate that shifting between account frames can induce preference reversals.

Problem 8 [N = 183]:

Imagine that you have decided to see a play where admission is \$10 per ticket. As you enter the theatre you discover that you have lost a \$10 bill.

Would you still pay \$10 for a ticket to the play?

Yes	No
-----	----

[88]*	[12]
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Problem 9 [N = 200]:

Imagine that you have decided to see a play and paid the admission price of \$10. As you enter the theatre you discover that you have lost the ticket. The seat was not marked and the ticket cannot be recovered.

Would you pay \$10 for another ticket?

Yes	No
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[46]	[54]*
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(Tversky and Kahneman, 1981: 457).

In objective terms the two choice problems are identical: in both cases the respondents are \$10 poorer than they were earlier, and face the decision of whether or not to purchase a ticket to see the play. The contradiction between the majority preferences expressed in Problems 8 and 9 is an effect of psychological accounting. In Problem 8 the loss of \$10 is assigned to a minimal account, an account distinct from the cost of admission to the play. The loss therefore had little effect on the decision of whether to purchase a ticket. In Problem 9, however, the cost of the lost ticket is assigned to an inclusive account, an account specifically linked to the cost

of admission. The loss therefore had a far greater effect on the decision of whether to purchase a ticket than did the same objective loss in Problem 8.

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