Biased Mediators in Conflict Resolution

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Mediated Communication

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- Receiver: Uninformed decision maker.

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1. Direct communication: The sender transmits "cheap-talk" messages.
2. Mediated communication: The sender reports her information to a trustworthy mediator, who then recommends an action to the receiver.

Mutually Beneficial Mediation

The vast majority of the literature focuses on the beneficial effect of mediation *on the receiver*:

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- We shall study how an optimal mediation protocol is affected by the mediator's bias.
- For that, our analysis is based on the model of Mitusch and Strausz (2005).

Model

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All our results hold under the less restrictive condition $\Delta_a \Delta_p > 0$.

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- The optimal action $y(\rho)$ is increasing in ρ.

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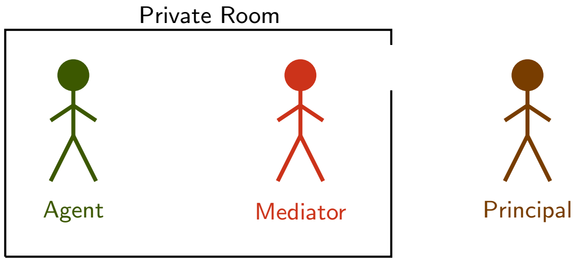

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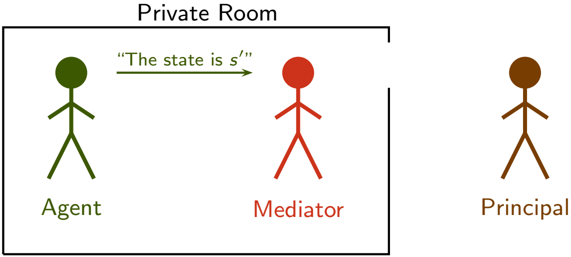

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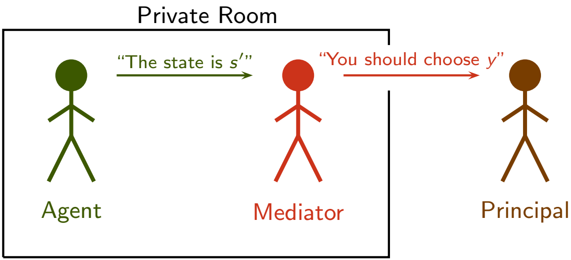

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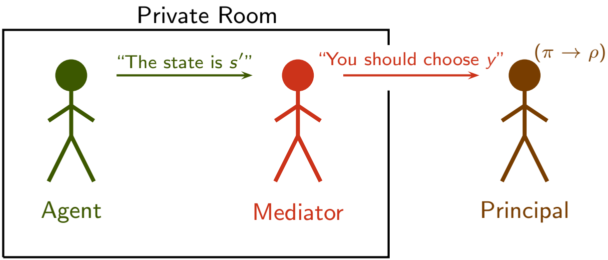

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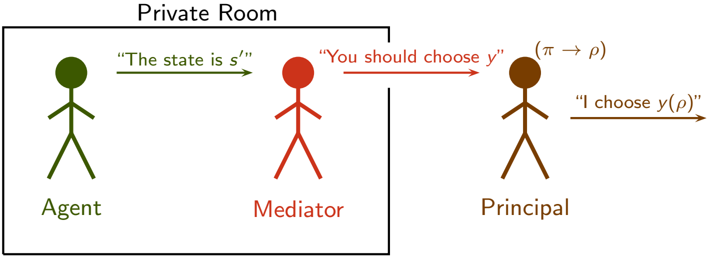

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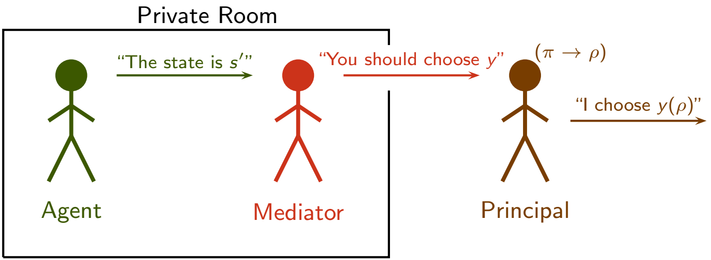

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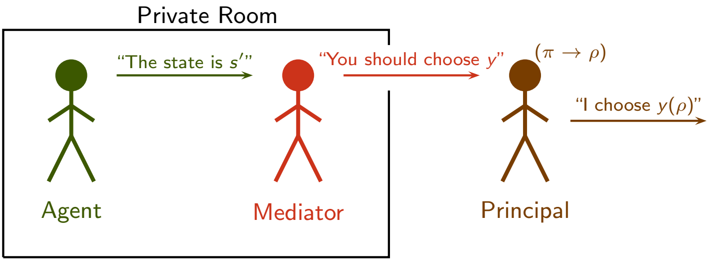

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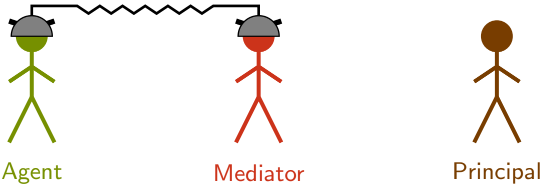
This problem was entirely solved by Mitusch and Strausz (J. Law Econ & Organ., 2005).

Optimal Agent-biased Mediation

Omniscient Mediation

It is instructive to assume first that the mediator possesses a "mind-reading machine" that allows him to verify the **true** state.



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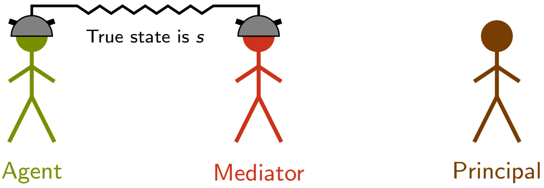

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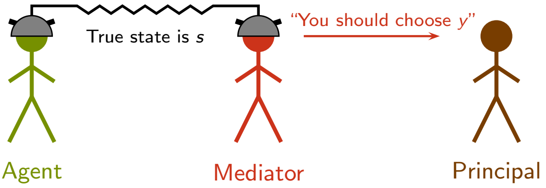

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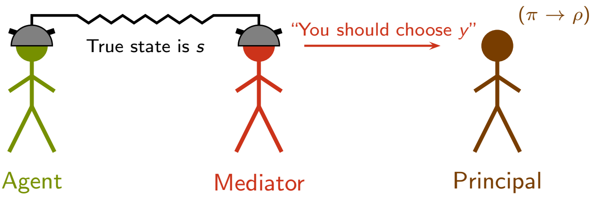

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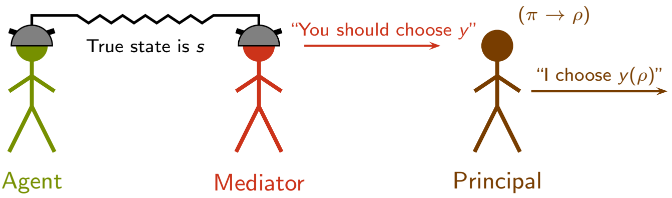

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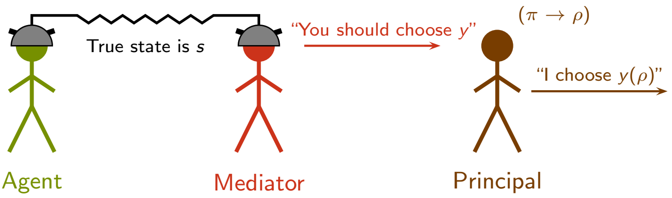

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We have that

$$\widehat{U}(\pi) \leq U^*(\pi) \leq cav\ \widehat{U}(\pi)$$

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Lemma

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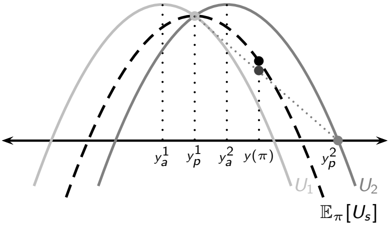
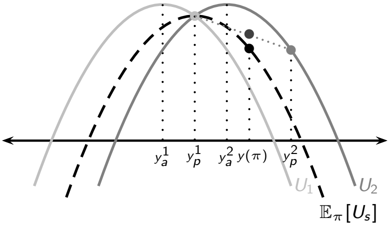
- $2\Delta_a > \Delta_p$ says that the principal's preferences (across states) cannot differ too much from the agent's preferences (across states).



(a) $\Delta_p > 2\Delta_a$



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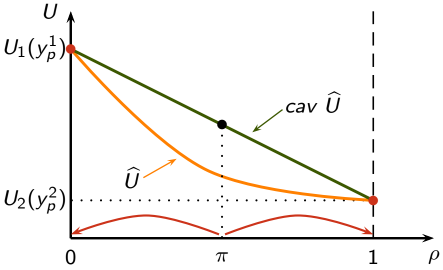

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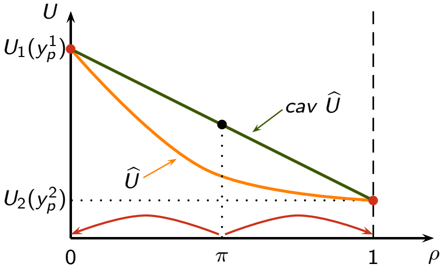

Lemma

Suppose $2\Delta_a > \Delta_p$. Then an "omniscient mediator" will induce full disclosure from the agent.

Optimal Mediation

The fully-revealing mediation plan provides the incentives for the agent to tell the truth iff

$$U_1(y_p^1) \geq U_1(y_p^2) \quad \text{and} \quad U_2(y_p^2) \geq U_2(y_p^1)$$

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Proposition

Suppose $2\Delta_a > \Delta_p$. Then the fully-revealing mediation plan is optimal iff there is no misrepresentation problem.

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- The prior probability π measures the likelihood of the misrepresentation problem.

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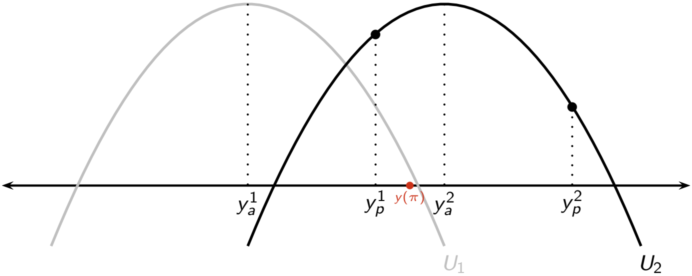

Suppose for simplicity that $y_a^1 < y_p^1$. Then a parameter configuration must look like in the figure above.

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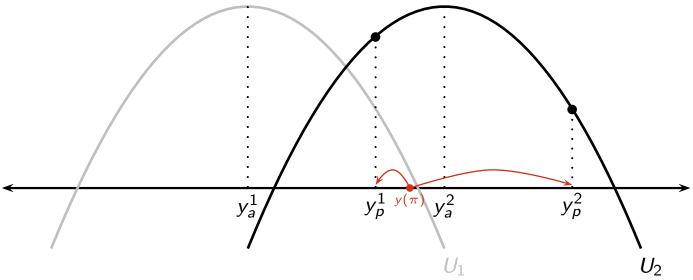
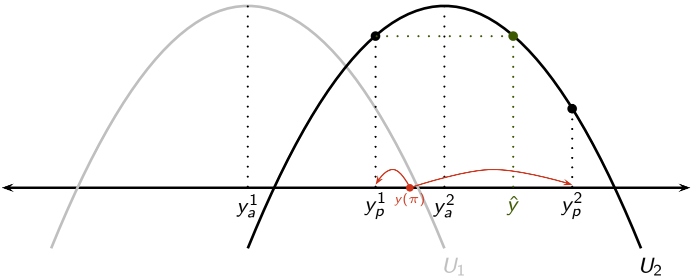


Type 2 jeopardizes type 1: The fully-revealing mediation plan is not incentive compatible for the agent.

Optimal Mediation



Let $\hat{y}$ be the action such that type 2 is indifferent between $\hat{y}$ and y_p^1.
Define $\hat{\pi}$ to be the prior belief for which $\hat{y} = y(\hat{\pi})$.

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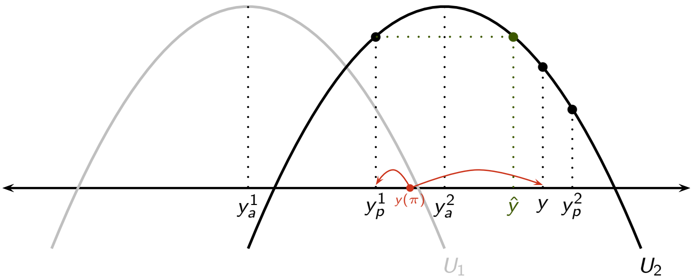

Inducing an action y such that $y > \hat{y}$ is not consistent with incentive compatibility for type 2.

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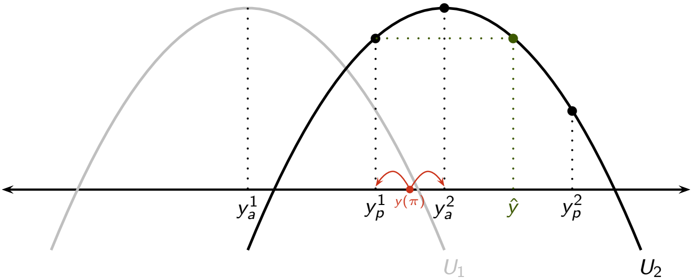
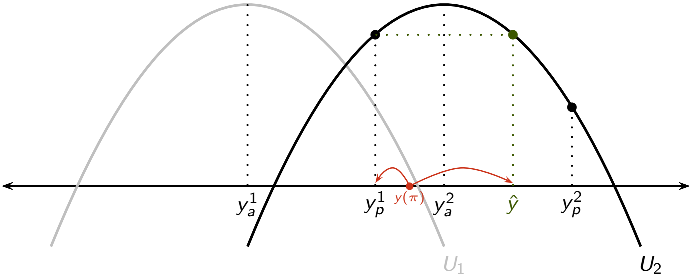


Inducing any action y such that $y < \hat{y}$ cannot improve *ex-ante* upon $\hat{y}$ unless $\Delta_p > 2\Delta_a$.

Optimal Mediation



Let $\hat{\delta}$ be the incentive-compatible mediation plan that induces the recommendations y_p^1 and $\hat{y}$.

Summary and Comparison

The following table summarizes our results:

	$\pi < \hat{\pi}$		$\pi \geq \hat{\pi}$
	$\Delta_p < 2\Delta_a$	$\Delta_p \geq 2\Delta_a$	
Agent	$\hat{\delta}$	Uninformative	Mediation cannot build trust
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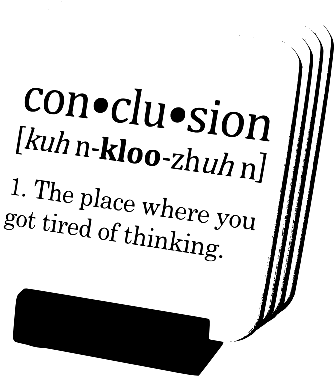
- A necessary condition for mediation to be effective is $\pi < \hat{\pi}$.
- Provided that $\Delta_p < 2\Delta_a$ and $\pi < \hat{\pi}$, mediation is effective *regardless of the mediator bias*.
- Whenever $\pi < \hat{\pi}$ but $\Delta_p \geq 2\Delta_a$, only principal-biased mediation will be effective.


con•clu•sion
[kuhn-kloo-zhuhn]
1. The place where you got tired of thinking.