

# The Dollar Auction Game: A Lesson in Conflict Escalation

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This article sets the stage to learn about conflict escalation by playing a game. The game is called The Dollar Auction, and the rules are as follows. You are the auctioneer. In any group, either social or at work, propose the following. You will auction a \$1 bill to the highest bidder. The highest bidder will win \$1 less the amount of the bid. If the high bid is 15 cents, you will pay out 85 cents (\$1 minus the bid). The catch is that the second highest bidder must pay you his or her bid as well. So if the second bidder was 12 cents, the bidder pays you 12 cents.

People typically start this game by calling out a small amount of money because they figure they have little to lose. They think to themselves, "If I can win a buck for 10 or 15 cents, I'm pretty smart." The problem is that everyone else in the game has the same logic. Consequently, several people start to bid. Eventually, the bids will approach \$1 and two things happen. First, the number of players typically decreases until there are two bidders. Second, the motivation of the remaining two bidders changes from a desire to maximize returns to one of minimizing losses. Thus, the question transforms from "How much can I win?" to "How do I keep from losing?" Guess what? At this point, the auction often goes above \$1.

Why doesn't someone quit when the expected reward is less than the known expense of continuing the game? First, the players have expended time and effort in an expectation of an easy gain. They have made an "investment" that they are loathe to relinquish. Second, each party secretly hopes the other bidder will quit, leaving victory to the remaining player. Of course, both parties reason this way, and neither one quits.

As the bidding exceeds \$1, another transformation occurs. Now, a certain fatalistic attitude typically sets in so that each party makes certain the other will lose just as much. "I may go down in flames, but I'm taking you with me." This reaction seems to stem from a fear of looking weak or foolish for quitting and letting the other guy win. The bidders are now concerned with threats to their personal image. The auction has changed from an "investment" to "a matter of principle."

If you play this game, I would be interested in knowing how much the dollar ultimately was sold for. I have heard of auctions going as high as \$5 or \$6, and in one case where the auction was for \$100, the final bid was \$3,000. Perhaps your players will show some restraint, but perhaps not.

The Dollar Auction game is a great example of conflict escalation processes. Notice how the goals change as the game, which is a metaphor for conflict, progresses. Very often conflicts start with one set of goals. At an intermediate stage, the goals shift to something quite different. If the genesis of the conflict was to gain something, the first transformation will be to minimize loss. Thus, the conflict will escalate as this new goal takes hold. Since the transformation is unconscious, logic provides a rationalization rather than a reasoned before-the-fact decision. As parties become aware of the destructive nature of the escalation, a second transformation occurs. Now the conflict is centered on identity-preserving one's own face and, if possible, destroying the other's face. One can only back down now by admitting defeat. There seems to be an implicit

message that the winner is stronger, better, and more capable. We react against this, again unconsciously, because succumbing to another in this way constitutes a primal threat to our ability to survive in the group.

When I was trying business cases, I saw this phenomenon time after time but did not understand it. I suppose I became entrapped in it as well. As a peacemaker, I now recognize the symptoms and understand the causes. Once in this cycle, people have an extraordinarily difficult time breaking out. That is when mediation and peacemaking can be very effective.

How do you know if you or your colleagues are caught in the cycle? Listen for expressions like "I don't care about the money. It's the principle of the thing;" "We've got a lot invested in this, but it should be over in a few more months." "I don't care what it costs, XYZ is not going to win this one!" These phrases and others like them reveal how conflict goals have changed to escalation. This phenomenon is not limited to litigation. For those of you engaged in bidding wars for companies, think about whether your original business objectives became transformed to preventing loss and then to preserving your self or corporate image. The competition in a contested merger or acquisition has led many acquiring companies into a deal that made no sense whatsoever. How often have you heard of an intense, competitive auction for a company, only to hear of the quiet divestment two or three years later?

The point I make is that conflict escalation is often caused by unconscious transformations triggered by the deepening conflict. Being aware of this propensity can help you avoid bad decisions and help you get out before the cost becomes excessive.