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The Competitive Edge in
Business, Politics, and
Everyday Life

AVINASH K. DIXIT AND BARRY J. NALEBUFF

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**The Competitive Edge in Business, Politics, and
Everyday Life**

Avinash K. Dixit and Barry J. Nalebuff

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For Kusum and Marcia

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Preface

Strategic thinking is the art of outdoing an adversary, knowing that the adversary is trying to do the same to you. All of us must practice strategic thinking at work as well as at home. Businessmen and corporations must use good competitive strategies to survive. Politicians have to devise campaign strategies to get elected, and legislative strategies to implement their visions. Football coaches plan strategies for the players to execute on the field. Parents trying to elicit good behavior from children must become amateur strategists (the children are the pros). For forty years, superpowers' nuclear strategies have governed the survival of the human race.

Good strategic thinking in such numerous diverse contexts remains an art. But its foundations consist of some simple basic principles—an emerging science of strategy. Our premise in writing this book is that readers from a variety of backgrounds and occupations can become better strategists if they know these principles.

The science of strategic thinking is called game theory. This is a relatively young science—less than fifty years old. It has already provided many useful insights for practical strategists. But, like all sciences, it has become shrouded in jargon and mathematics. These are essential research tools, but they prevent all but the specialists from understanding the basic ideas. We have attempted a translation of many important insights for the intelligent general reader. We have replaced theoretical arguments with illustrative examples and case studies. We have removed all the mathematics and most of the jargon. The book should be accessible to all readers who are willing to follow a little bit of arithmetic, charts, and tables.

Many books have already attempted to develop ideas of strategic thinking for particular applications. Tom Schelling's writings on nuclear strategies, particularly *The Strategy of Conflict* and *Arms and Influence*, are