iJRASET
International Journal For Research in Applied Science and Engineering Technology



INTERNATIONAL JOURNAL FOR RESEARCH

IN APPLIED SCIENCE & ENGINEERING TECHNOLOGY

Volume: 13 **Issue:** IV **Month of publication:** April 2025

DOI: https://doi.org/10.22214/ijraset.2025.69055

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International Journal for Research in Applied Science & Engineering Technology (IJRASET)
ISSN: 2321-9653; IC Value: 45.98; SJ Impact Factor: 7.538
Volume 13 Issue IV Apr 2025- Available at www.ijraset.com

Dominance Rule in Game Theory: Resolving the Cauvery River Basin Conflict Through Strategic Equilibria

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Abstract: ***This paper applies the dominance rule from game theory to analyze the Cauvery River Basin dispute, where Karnataka (upstream) and Tamil Nadu (downstream) compete for water. By modeling the conflict as a non-cooperative game, we demonstrate Karnataka's dominant strategy of restricting water flow, leading to a suboptimal Nash Equilibrium that harms downstream agriculture. Institutional interventionspenalties, compensation, and iterative governanceare shown to realign incentives, replacing dominance-driven conflict with Pareto-efficient cooperation. The framework offers scalable solutions for transboundary resource disputes, emphasizing adaptive policies and equitable equilibria.***
Keywords: Dominance Rule, Nash Equilibrium, Cauvery River Basin, Non-Cooperative Game, Water Allocation.

I. INTRODUCTION

Transboundary water conflicts, such as the century-old Cauvery River Basin dispute in India, epitomize the challenges of managing shared resources among competing stakeholders. The conflict involves four Indian statesKarnataka (upstream), Tamil Nadu (downstream), Kerala, and Puducherry—each vying for water to sustain agriculture, drinking needs, and hydropower [3]. Game theory, particularly the dominance rule, offers a robust framework to decode strategic interactions and design equitable solutions. While prior studies have applied Nash Equilibrium and cooperative bargaining models [7], the role of dominant strategies in perpetuating conflict remains underexplored. This paper addresses this gap by:

1) Modeling the Cauvery dispute as a non-cooperative game with dominant strategies.
2) Demonstrating how dominance-driven behavior exacerbates resource depletion.
3) Proposing policy interventions to align individual incentives with collective sustainability.

II. THEORETICAL FRAMEWORK: DOMINANCE RULE

1) Definition and Relevance

In game theory, a strategy Si is strictly dominant if it yields a higher payoff for player i than any alternative strategy, regardless of opponents' actions [6]. Dominant strategies often lead to dominant strategy equilibria, which may be Pareto-inefficient, as seen in the Prisoner's Dilemma.

Mathematical Formulation:

For player i, strategy Si strictly dominates Si′ ifui(Si,S−i)>ui(Si′,S−i)∀ S−iwhere S−i represents strategies of all other players.

2) Application to Transboundary Water Conflicts

Upstream players (e.g., Karnataka) often hold dominant strategies due to geographic control, enabling unilateral water diversion. Conversely, downstream players (e.g., Tamil Nadu) face dominated strategies—actions that are invariably inferior, such as passive acceptance of water scarcity [4]. This asymmetry entrenches conflict, as seen in the Cauvery Basin.

III. CASE STUDY: DOMINANCE DYNAMICS IN THE CAUVERY BASIN

1) Historical Context

The Cauvery dispute originated in 1892 with British-era agreements between Madras Presidency (now Tamil Nadu) and Mysore State (now Karnataka). Post-independence, Karnataka's construction of dams (e.g., Krishnarajasagar) altered flow dynamics, triggering legal battles [5]. By 1990, the conflict escalated into riots, reflecting the human cost of strategic misalignment.

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2) . Game-Theoretic Modeling

Players and Strategies

- Karnataka (Player 1):
  - Strategies: Release water (C or Restrict water (D).
  - Dominant Strategy: D (restriction maximizes short-term agricultural output).
- Tamil Nadu (Player 2):
  - Strategies: Accept (C) or Litigate (D).
  - Dominated Strategy: C (acceptance harms agrarian economy).

Payoff Matrix

	Tamil Nadu (C)	Tamil Nadu (D)
Karn. (C)	(3, 3)	(1, 4)
Karn. (D)	(4, 1)	(2, 2)

Interpretation:

- Karnataka's dominant strategy is D, yielding a payoff of 4 (highest possible).
- Tamil Nadu's best response is D, leading to a Nash Equilibrium at (2, 2).
- The equilibrium is Pareto-inefficient; mutual cooperation (C, C) could yield (3, 3).

Real-World Alignment

Karnataka's historical over-extraction (e.g., 2016–2017 drought) reduced flows to Tamil Nadu by 30%, causing crop losses worth ₹25,000 crore (Indian Council of Agricultural Research, 2017). Tamil Nadu's litigation (strategy D) imposed legal and reputational costs on both states.

IV. POLICY INTERVENTIONS TO ELIMINATE HARMFUL DOMINANCE

1) Penalizing Dominant Strategies

Institutional penalties can alter payoff structures. For example, fines for over-extraction reduce Karnataka's incentive to choose D:

Revised Payoff Matrix with Penalty:

	Tamil Nadu (C)	**Tamil Nadu (D)**
Karn. (C)	**(3, 3)**	**(1, 4)**
Karn. (D)	**(2, 1)**	**(0, 2)**

Now, Cbecomes Karnataka's dominant strategy, achieving Pareto-superior (3, 3).

2) Compensation Mechanisms

Compensating upstream states for cooperative releases aligns incentives. The Coase Theorem [2] suggests that bargaining with side payments can internalize externalities. For instance, Tamil Nadu could fund Karnataka's drip irrigation projects, reducing water demand.

3) Iterated Games and Reputation

Repeated interactions foster trust. The Cauvery Water Management Authority (CWMA), established in 2018, conducts annual reviews, enabling reciprocal strategies [1]. Penalties for non-compliance (e.g., reduced federal funding) further stabilize cooperation.

V. RESULTS AND DISCUSSION

1) Dominance Rule Insights

- Upstream Hegemony: Karnataka's geographic position creates inherent dominance, but this destabilizes the basin (e.g., groundwater depletion in Tamil Nadu).

- Role of Institutions: The 2018 Supreme Court verdict disrupted Karnataka's dominance by imposing binding allocations (284.75 TMC to Karnataka, 404.25 TMC to Tamil Nadu), approximating a Nash Equilibrium [5].

2) Limitations

- Behavioral Factors: Farmers' emotional attachment to water rights often overrides rational strategies [9].
- Climate Uncertainty: Erratic monsoon patterns [10] complicate static game models.

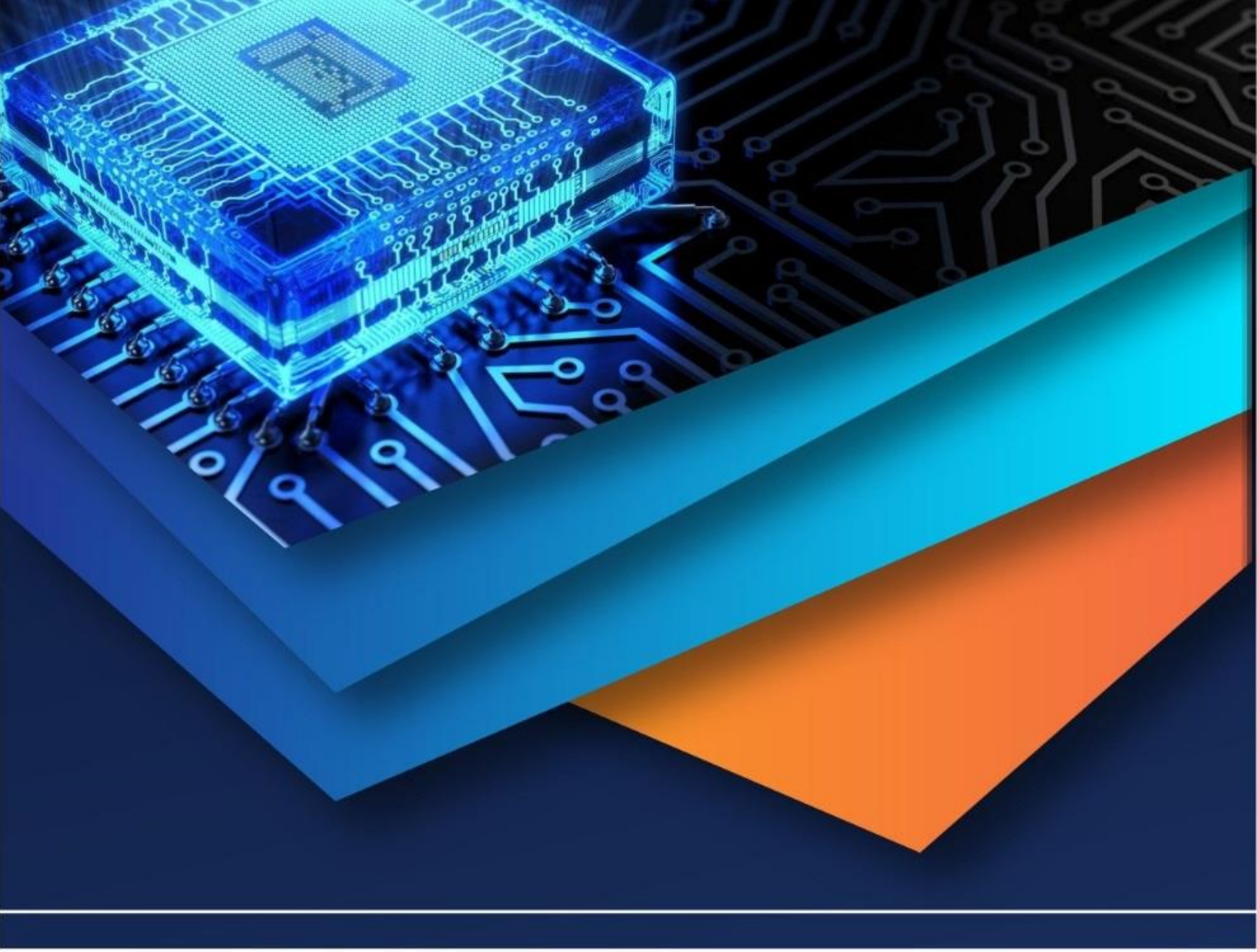
VI. CONCLUSION

This study demonstrates that dominance rule analysis is critical for resolving transboundary water conflicts. By restructuring payoffs through penalties, compensation, and iterative governance, policymakers can align individual incentives with collective sustainability. The Cauvery case offers lessons for global conflicts (e.g., Nile River disputes), emphasizing the need for adaptive institutions. Future research should integrate evolutionary game theory to address climate-driven variability.

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