This paper provides theoretical foundations and empirical evidence for the complex interplays between violent and cooperative actions/reactions in the context of the ongoing Israeli-Palestinian conflict. A simple sticks and carrots dynamic model lays the foundations for a comprehensive empirical investigation in which we examine the dynamics of the actions taken by the two adversaries. Using violence and cooperation incidents during the Second Intifada within a framework of Vector Autoregression we find evidence of a vicious cycle of violence as well as a virtuous cycle of cooperation. Moreover, we find that cooperative measures by both sides lead to a reduction in the intensity of aggression (honeymoon effect) and that both sides follow their aggression towards the other by cooperating (regret and fear of retaliation effects).

Muhammad Asali is an associate professor of economics at the international school of economics in Tbilisi, and the head of graduate studies at the school. He held visiting and adjunct professorships at Union College, New York University, and Columbia University. Asali is a research fellow at IZA, the institute of labor economics in Bonn, Germany. He received his BA in accounting and economics, and his MA in economics from the Hebrew University of Jerusalem, all with distinction; and he received his PhD in economics from Columbia University. His research in the field of labor economics focused on topics like immigration, discrimination, human capital formation, and conflict cycles. His teaching interests include labor economics, microeconomics, econometrics, and time series econometrics.