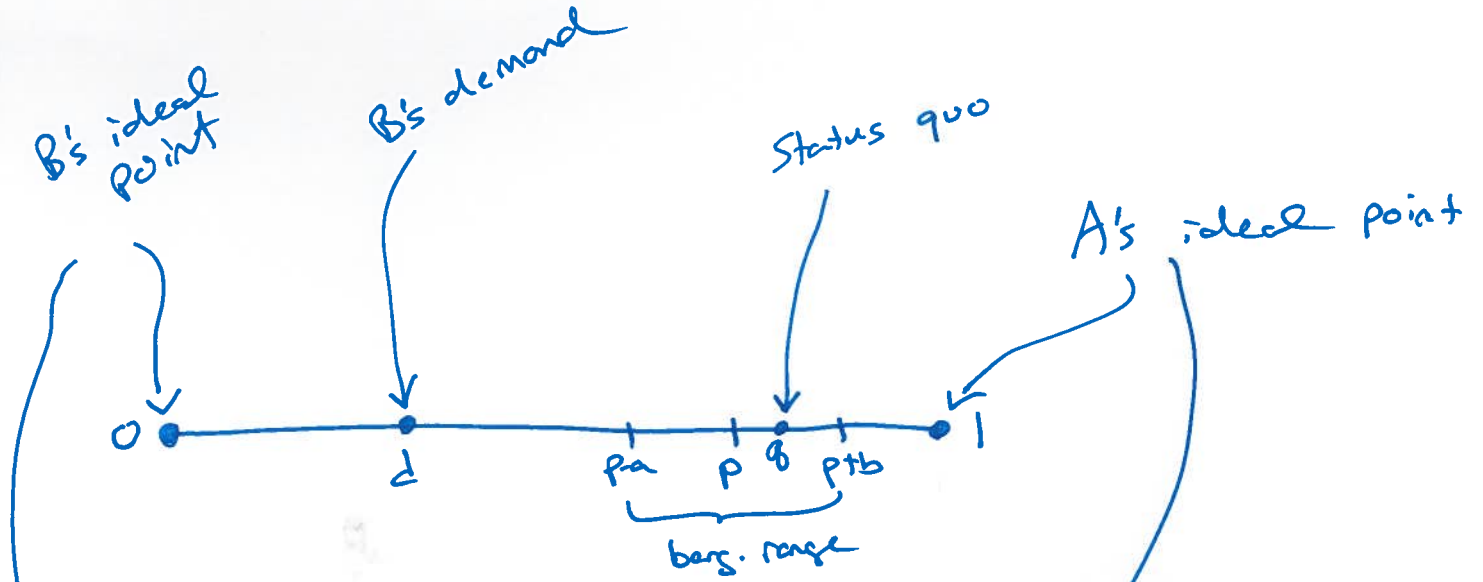


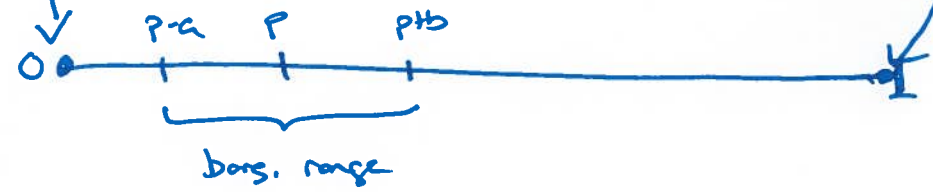
Bargaining when there are first-strike advantages

Examples: Six-Day War, WWI, Osira K strike.

IF A starts a war:



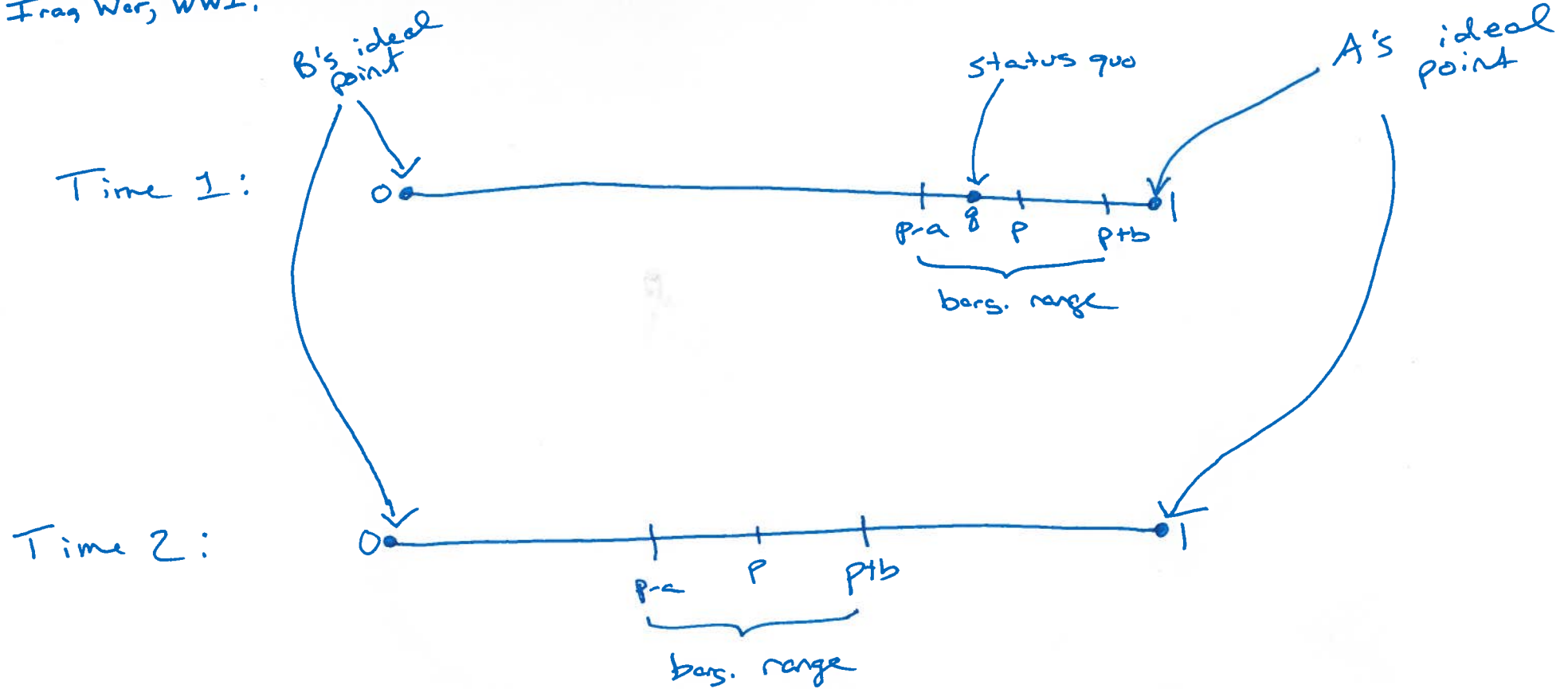
IF B starts a war:



Result: Both A and B will rush to strike first, and whoever strikes first will get a larger share of the good.

Bargaining in the shadow
of power shifts
(preventive war results)

Examples: Iraq War, WWI.

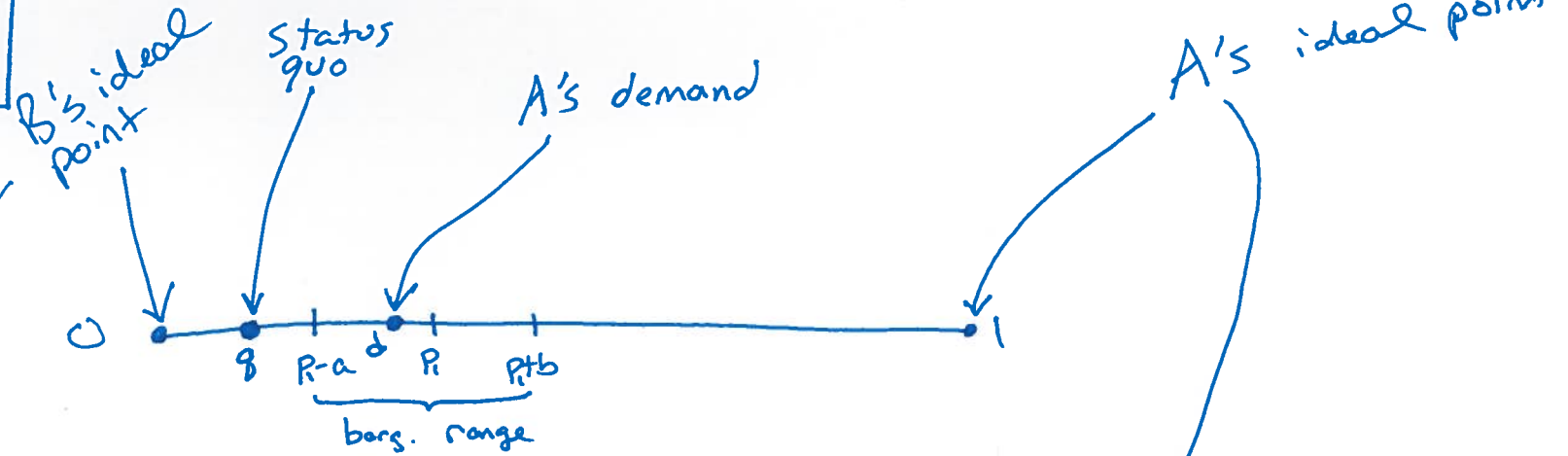


Result: A chooses to fight at Time 1 to preserve the status quo, because B cannot "pay" A enough to compensate it for the coming Time 2 renegotiation.

Bargaining over goods that influence future bargaining power.

Examples: Golan Heights, WWII Japan v. USA, WWII UK v. Germany, Iraq War.

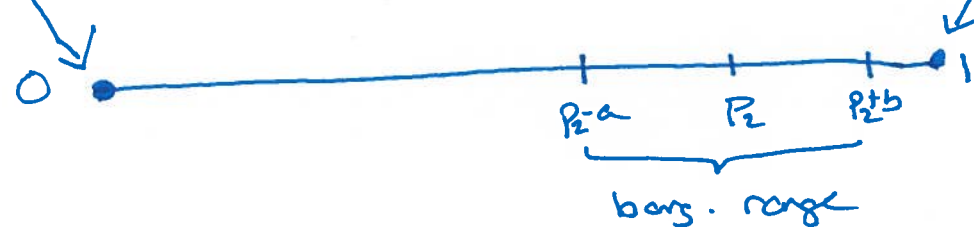
Time 1:



Effect of shifting $q \rightarrow d$ is to shift $P_1 \rightarrow P_2$

Time 2

if B yields to A's demand:

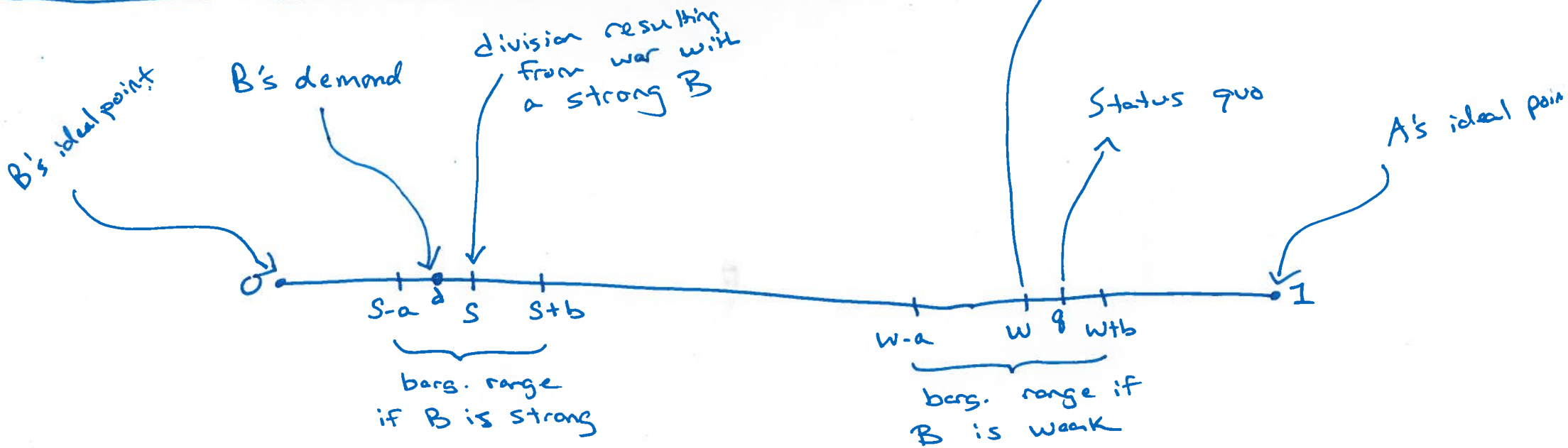


Time 2

if B doesn't yield to A's demand is war outcome under Time 1's conditions.

Result: B refuses to concede to A's demand and instead fights at Time 1.

War due to uncertainty:
 B has private information about its capabilities



Result: • A has a prior belief about which B it faces: weak or strong.

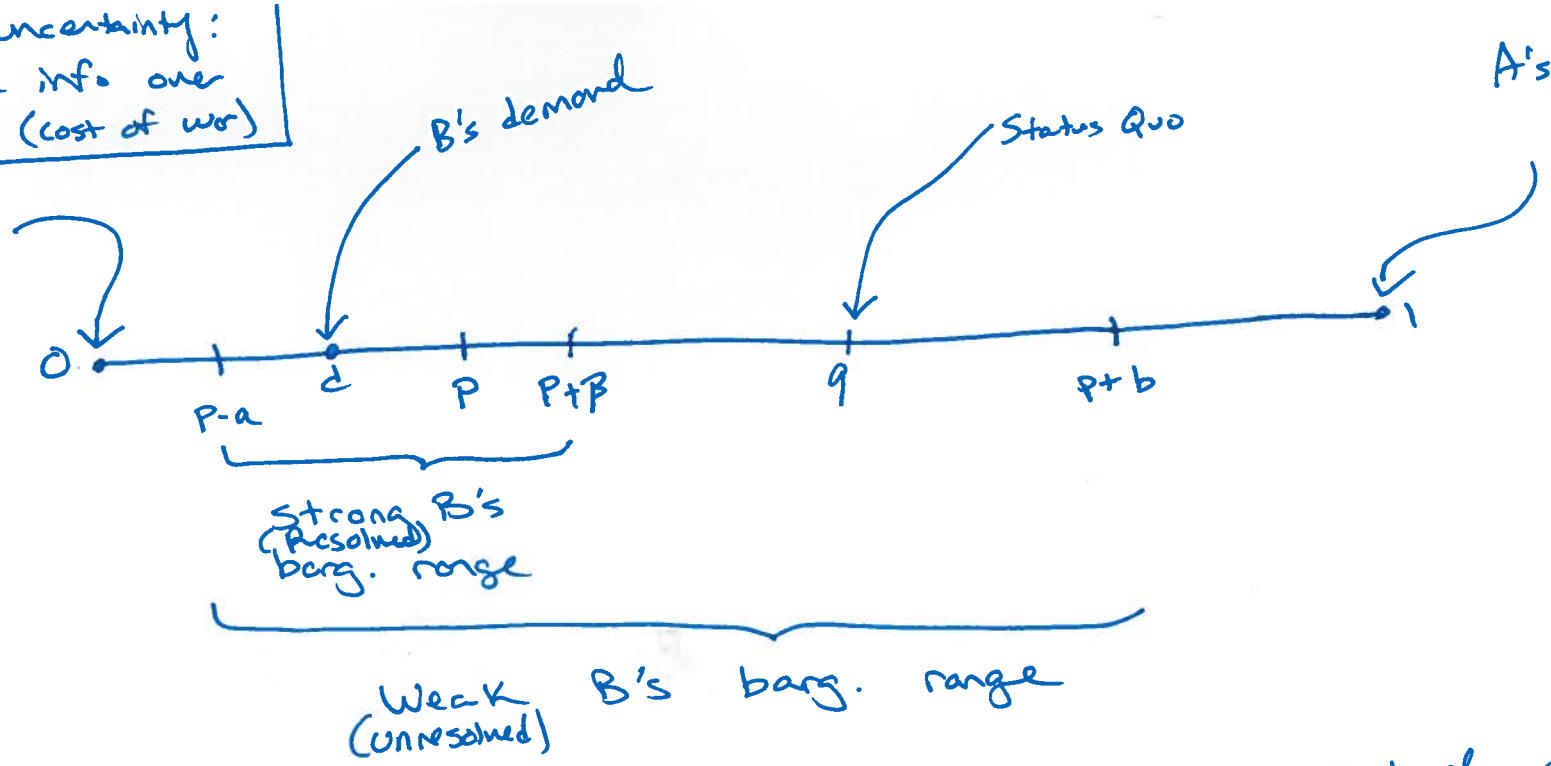
• A cannot believe B if B says that B is strong, because weak B wants to pretend to be strong B; Weak B will settle for q but prefers d to q . Thus, B's "talk" has no impact on A's beliefs about B.

- A will reject B's demand and fight with a probability directly related to the strength of its prior belief that B is weak.
- Strong B will always demand d and fight A rather than get $1-q$.
- Weak B will demand d with a probability directly related to the strength of A's prior beliefs that B is strong.

War happens by accident s.c. of negotiation

War due to uncertainty:
 B has private info over
 its resolve (cost of war)

B's ideal point



Result:

- A has a prior belief about which B it faces: unresolved or resolved.
- A cannot believe B's claims to be resolved because both resolved and unresolved B have reason to make such claims.
- Yet unresolved B will settle for q (while resolved B will not).

War happens by accident because of the risk-return trade-off.

- A will reject B's demand and fight with probability directly related to strength of its prior belief that B is unresolved.
- Resolved B will always demand d and fight A rather than get $1-q$.
- Unresolved B will demand d with probability directly related to the strength of A's prior beliefs that B is ~~is~~ resolved.