

PSC/IR 106: The Bargaining Model of War

William Spaniel

williamspaniel.com/pscir-106

Outline

- War in the Court
- Unitary Actor Assumption
- Algebraic Model
- Geometric Model
- Ultimatum Game
- Preventive War
- Information Problems
- Issue Indivisibility
- Preemptive War
- Understanding War
- Measuring Power
- Militarized Interstate Disputes
- Correlates of War and the Long Peace

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Big question: Why do states fight
costly wars?

Parallel: Lawsuit

- A man trips and falls in your store and sues you for negligence.

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- A man trips and falls in your store and sues you for negligence.
- Your lawyer and his lawyer agree on the following:
 - There is a 60% chance the lawsuit will be successful.
 - If he wins, you will have to pay him \$40,000.
 - Going to court will cost each of you \$10,000 in lawyers fees.

Possible Resolutions

1. Either you or him concede immediately.
2. You reach an out-of-court settlement.
3. You let the court decide the matter.

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 - How should we expect this matter to be resolved?

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 - $(-\$40,000)(.6) - \$10,000 = -\$34,000$

Possible Resolutions

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2. You reach an out-of-court settlement.
3. You let the court decide the matter.
 - Your expected payoff:
 - $(-\$40,000)(.6) - \$10,000 = -\$34,000$
 - His expected payoff:
 - $(\$40,000)(.6) - \$10,000 = \$14,000$

Possible Resolutions

1. Either you or him concede immediately.
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Possible Resolutions

1. Either you or him concede immediately.
 - If you concede, you lose \$40,000.
 - If he concedes, he receives nothing.
2. You reach an out-of-court settlement.
3. You let the court decide the matter.

Possible Resolutions

1. Either you or him concede immediately.
 - If you concede, you lose \$40,000.
 - If he concedes, he receives nothing.
 - Each would rather go to court than concede.
2. You reach an out-of-court settlement.
3. You let the court decide the matter.

Possible Resolutions

2. You reach an out-of-court settlement.
3. You let the court decide the matter.

Possible Resolutions

2. You reach an out-of-court settlement.

- A settlement x is better for you than court if $x < \$34,000$.
- A settlement x is better for him than court if $x > \$14,000$.
- Therefore, any settlement offer between \$14,000 and \$34,000 is better for both parties than court!

3. You let the court decide the matter.

Conclusion

- Settlement should be the result!

But This Is Just Like War...

- Wars produce a winner and a loser, perhaps probabilistically.
- Fighting is costly because it kills people and destroys things.

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- So why can't two states settle matters off the battlefield?

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- Wars produce a winner and a loser, perhaps probabilistically.
- Fighting is costly because it kills people and destroys things.
- So why can't two states settle matters off the battlefield?
 - We call such a reason a “rationalist explanation for war.”

Gameplan

Part 1: The Research Question

- Assumptions
- War's inefficiency puzzle
 - Algebraic
 - Geometric
 - Game theoretic

Part 2: The Answers

- Preventive war
- Asymmetric information and incentives to misrepresent
- Issue indivisibility
- Preemptive war

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Big question: Can two perfectly intelligent, perfectly unbiased leaders fight a war against each other?

The Unitary Actor Assumption

- Assume that states are a single entity, and their leaders are only interested in maximizing the overall welfare of the state.

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Our Recipe

1. Create some assumptions.
2. Do some math.
3. Reach logically valid conclusions.

The Unitary Actor Assumption

- Assume that states are a single entity, and their leaders are only interested in maximizing the overall welfare of the state.
 - Is this true all of the time?
 - No.
 - Is this true some of the time?
 - Maybe.
- Leaders justify wars using the unitary actor assumption.

Things You Will Never Hear a Leader Say

- I really suck at running our domestic economy, so I'm going to fight a war to distract you from that.

Things You Will Never Hear a Leader Say

- I really suck at running our domestic economy, so I'm going to fight a war to distract you from that.
- The media is too interested in a sex scandal involving some intern I never slept with, so I'm going to bomb some countries in Africa you've never heard of.

Things You Will Hear a Leader Say

- This war is in the best interest of *our* national security.

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- *We* have a moral obligation to intervene.

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Things You Will Hear a Leader Say

- This war is in the best interest of *our* national security.
- *We* have a moral obligation to intervene.
- Stabilizing the region will secure *our* economic interests.
- In sum: It's about *we*, not me.

Justifying the Unitary Actor

- The unitary actor assumption allows us to analyze the validity of these explanations.

Justifying the Unitary Actor

- The unitary actor assumption allows us to analyze the validity of these explanations.
- The war dynamics we will discuss also affect states that aren't unitary actors.
 - But it will be easier to isolate these factors without those domestic cleavages.

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Big question: Can war be
mutually beneficial?

Crisis!

- Venezuela discovers an oil deposit worth \$80 billion.

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- But Colombia hears about this and declares the oil deposit to be on its side of the border.

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- Venezuela discovers an oil deposit worth \$80 billion.
- But Colombia hears about this and declares the oil deposit to be on its side of the border.
- The sides call in their militaries and prepare for war.

Venezuela's Perspective

- Venezuela will win the war (and \$80 billion in oil) 60% of the time.
- Cost of death, destruction, and lost oil: \$15 billion.



Colombia's Perspective

- Colombia will win the war (and \$80 billion in oil) 40% of the time.
- Cost of death, destruction, and lost oil: \$12 billion.



Interactive Question

- Is war inevitable between these two countries?

Venezuela's Needs

- Expected payoff from war:
 $(80)(.6) - 12 = 36$
- Venezuela must receive \$36 billion to be satisfied.



Colombia's Needs

- Expected payoff from war:
 $(80)(.4) - 15 = 17$
- Colombia must receive \$17 billion to be satisfied.



A Rationalist Explanation for War?

- Both countries have positive expected payoffs from fighting.
 - So war is rational for both parties.

A Rationalist Explanation for War?

- Both countries have positive expected payoffs from fighting.
 - So war is rational for both parties. Right?

Bargaining

- War is **not** rational here.
- Venezuela's and Colombia's demands sum to \$53 billion.
 - But there's \$80 billion in oil revenue to go around!
 - Where did the other \$27 billion go?

Bargaining

- War is **not** rational here.
- Venezuela's and Colombia's demands sum to \$53 billion.
 - But there's \$80 billion in oil revenue to go around!
 - Where did the other \$27 billion go?
 - The costs of war (\$15 billion and \$12 billion) ate it up.

A Better Resolution

- Let x be Venezuela's share of the settlement.
- Then x satisfies Venezuela if $x > 36$.
- Then x satisfies Colombia if $80 - x > 17$,
or $x < 63$.

A Better Resolution

- Let x be Venezuela's share of the settlement.
- Then x satisfies Venezuela if $x > 36$.
- Then x satisfies Colombia if $80 - x > 17$,
or $x < 63$.
 - Therefore, x is mutually satisfactory if
$$36 < x < 63$$

Conclusion

- Any settlement that gives \$36 billion but no more than \$63 billion to Venezuela is mutually preferable to war.
 - Such settlements exist.
 - Bargaining is mutually preferable to war.

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War's Inefficiency Puzzle

- Why do states sometimes choose to resolve their differences with inefficient fighting when bargaining, in theory, leaves both better off?

War's Inefficiency Puzzle

- Was this a quirk with the payoffs for Venezuela and Colombia?

The Model

- Two states: A and B.

The Model

- Two states: A and B.
- Bargain over an object worth 1.
 - This 1 is 100% of the good—whether it is \$80 billion in oil, 16 square miles of land, or whatever.
 - Object is infinitely divisible.

The Model

- Two states: A and B.
- Bargain over an object worth 1.
- p_A is the probability A wins a war.
- p_B is the probability B wins a war.
 - No draws, so $p_A + p_B = 1$

The Model

- If the states fight a war, they pay costs $c_A > 0$ and $c_B > 0$.
 - These costs reflect absolute costs (how many people will die) and “resolve” (how much the state cares about the issue).

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- If the states fight a war, they pay costs $c_A > 0$ and $c_B > 0$.
 - These costs reflect absolute costs (how many people will die) and “resolve” (how much the state cares about the issue).
 - The costs can take any functional form, as long as they are positive.

The Model

- If the states fight a war, they pay costs $c_A > 0$ and $c_B > 0$.
- Question: Is bargaining always an effective means of resolving the dispute?

A's Peace Constraint

- Let x be A's share of the bargained settlement.
- A is satisfied if:
$$x \geq p_A(1) - c_A$$

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- A is satisfied if:
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 - $x \geq p_A - c_A$

B's Peace Constraint

- $1 - x$ is B's share of a peaceful settlement.
- B is satisfied if:

$$1 - x \geq p_B(1) - c_B$$

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- $1 - x$ is B's share of a peaceful settlement.
- B is satisfied if:

$$1 - x \geq p_B(1) - c_B$$

$$1 - x \geq p_B - c_B$$

$$x \leq 1 - p_B + c_B$$

Is Peace Possible?

- A is satisfied if: $x \geq p_A - c_A$
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Is Peace Possible?

- A is satisfied if: $x \geq p_A - c_A$
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- x is mutually satisfactory if:

$$p_A - c_A \leq x \leq 1 - p_B + c_B$$

Is Peace Possible?

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- x is mutually satisfactory if:

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- Such an x exists if:

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Is Peace Possible?

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- x is mutually satisfactory if:

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- Such an x exists if:

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- $p_A + p_B = 1$
- $p_B = 1 - p_A$

Is Peace Possible?

- A is satisfied if: $x \geq p_A - c_A$
- B is satisfied if: $x \leq 1 - p_B + c_B$
- x is mutually satisfactory if:

$$p_A - c_A \leq x \leq 1 - p_B + c_B$$

- Such an x exists if:

$$p_A - c_A \leq 1 - (1 - p_A) + c_B$$

Is Peace Possible?

- A is satisfied if: $x \geq p_A - c_A$
- B is satisfied if: $x \leq 1 - p_B + c_B$
- x is mutually satisfactory if:

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- Such an x exists if:

$$p_A - c_A \leq 1 - (1 - p_A) + c_B$$

$$p_A - c_A \leq p_A + c_B$$

$$c_A + c_B \geq 0$$

Conclusions

- Peace is possible.
- But how do we interpret this result?
 - Geometric model will help us understand what's going on here.

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The Model

- Two states: A and B.

**A's
Capital**

**B's
Capital**

The Model

- Two states: A and B.
- Bargain over an object worth 1.

0

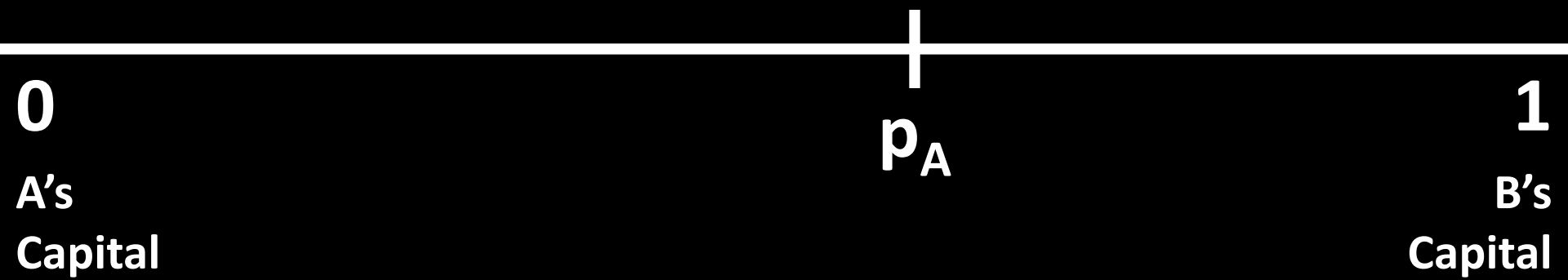
**A's
Capital**

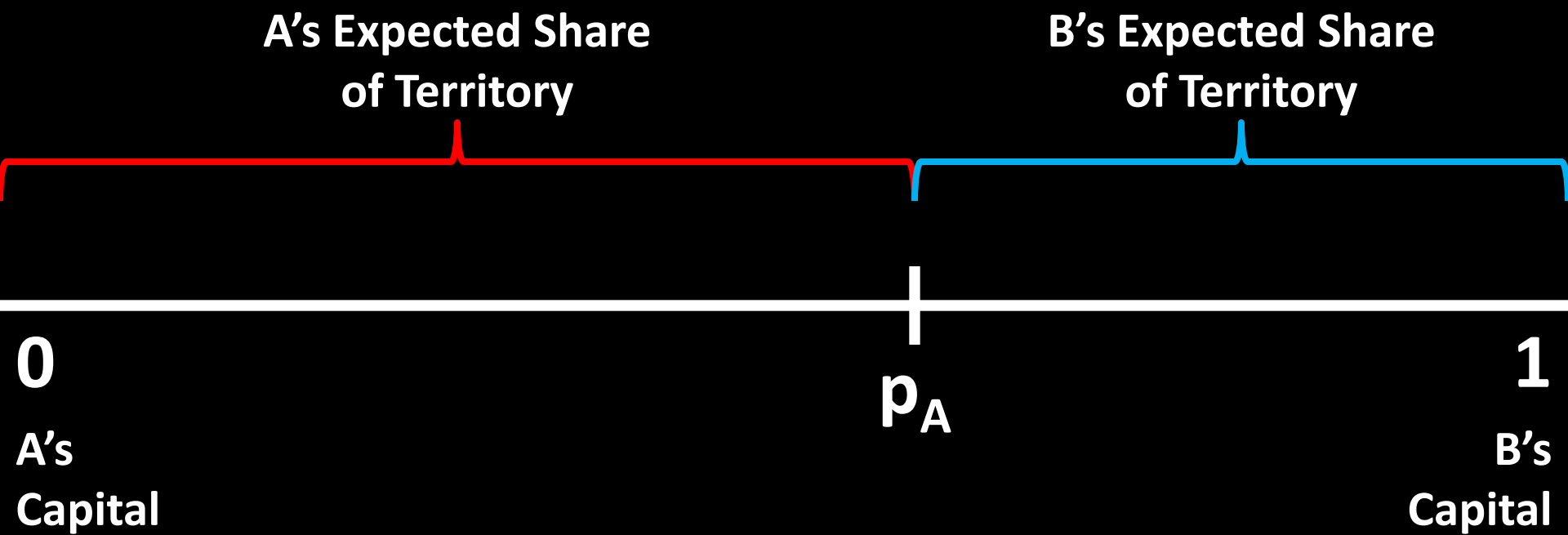
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**B's
Capital**

The Model

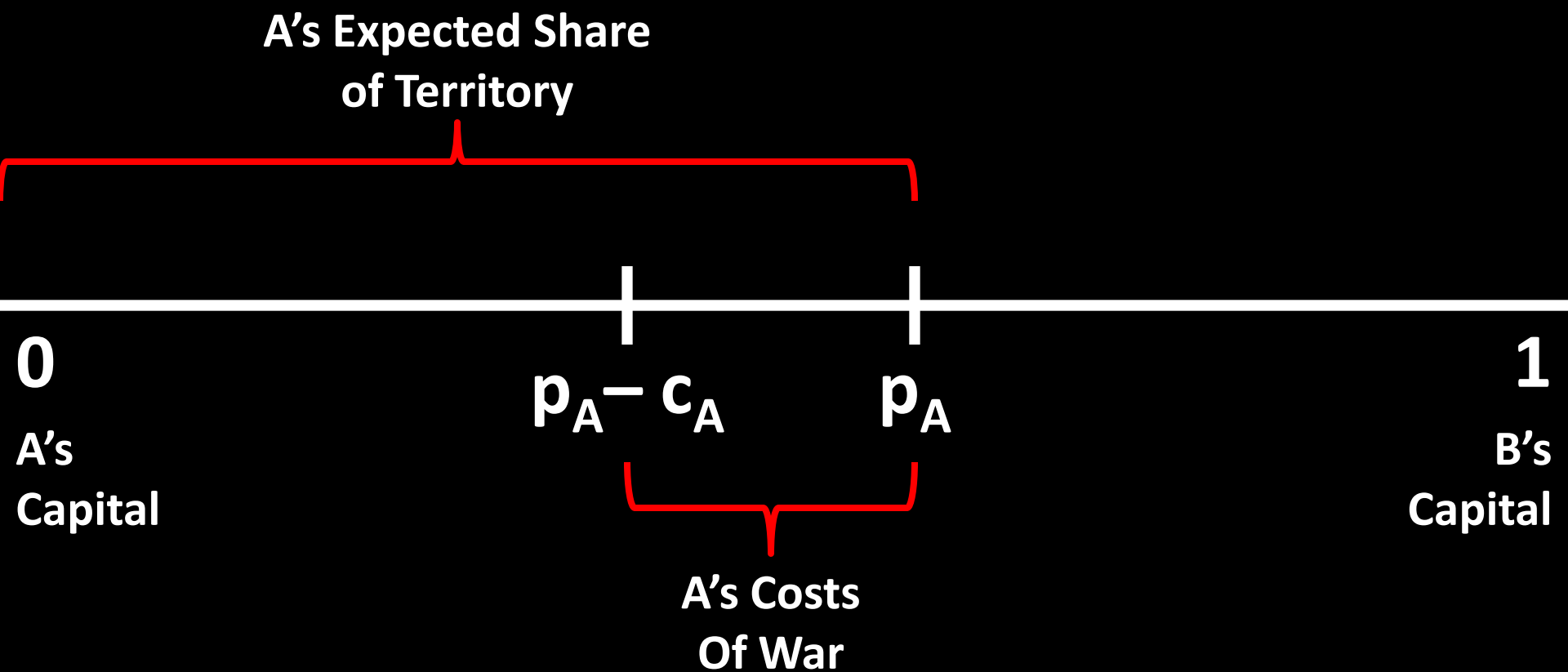
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- $1 - p_A$ is the probability B wins a war.

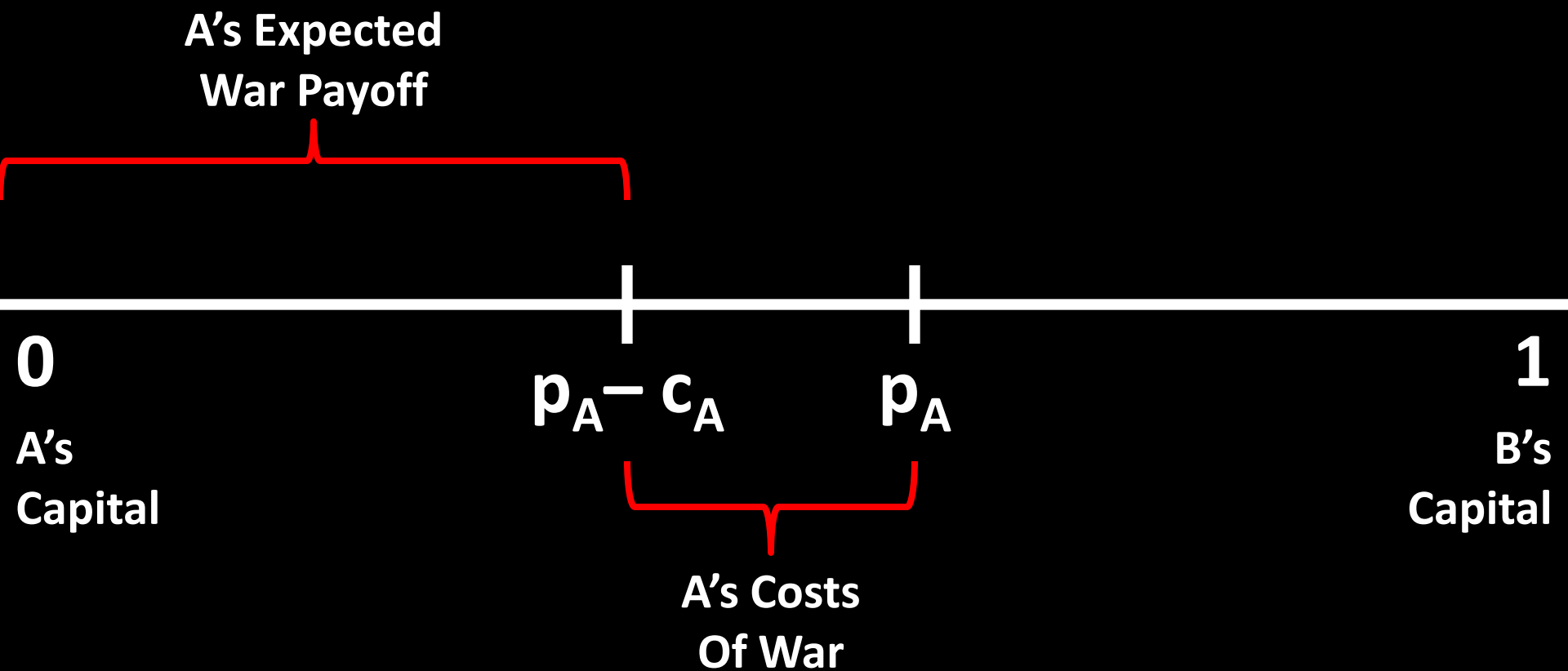


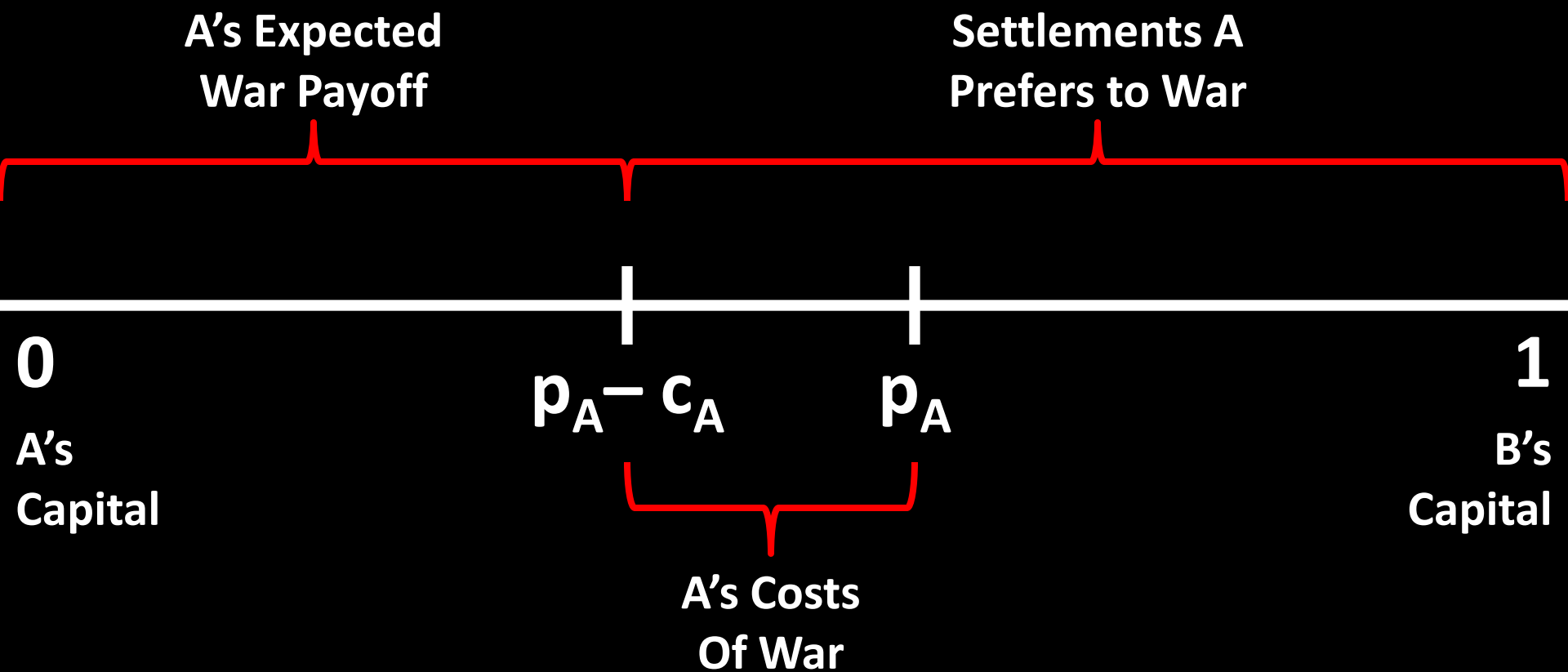


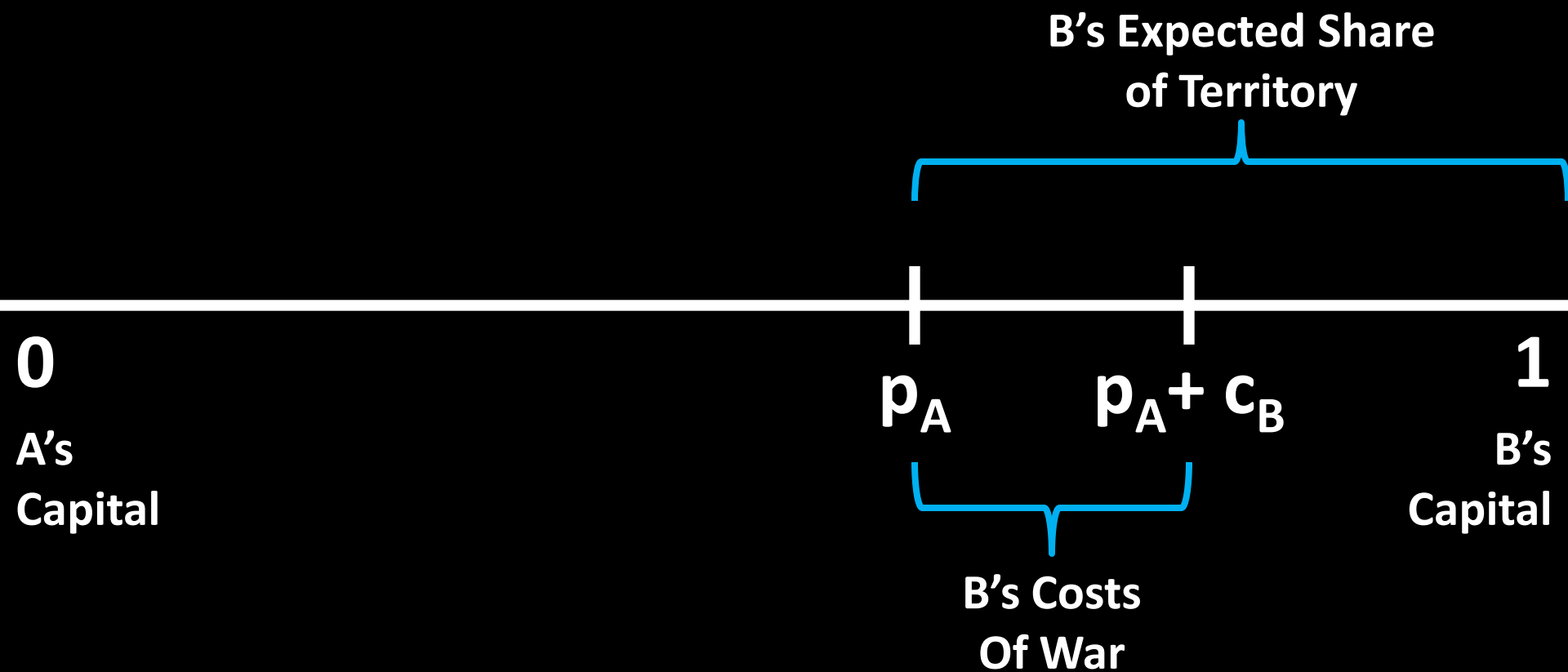
The Model

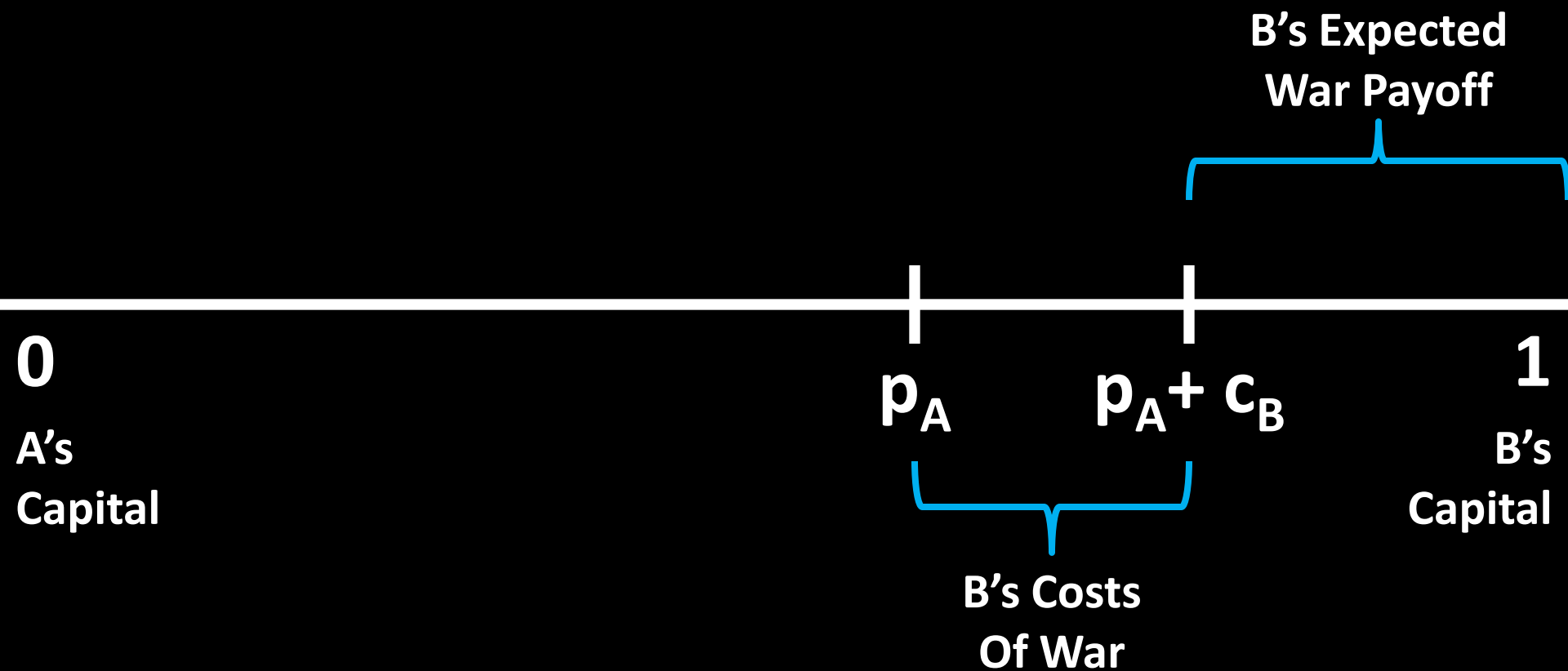
- If the states fight a war, they pay costs $c_A > 0$ and $c_B > 0$.

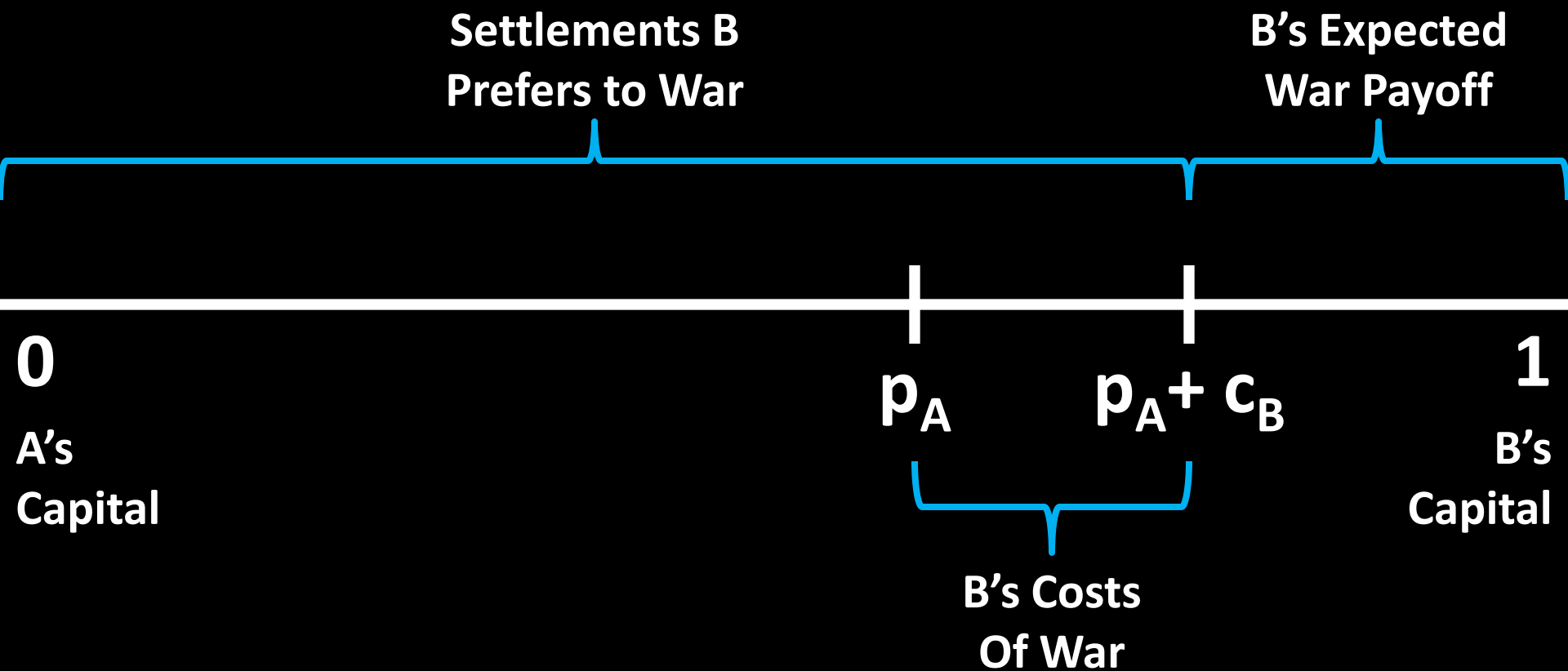


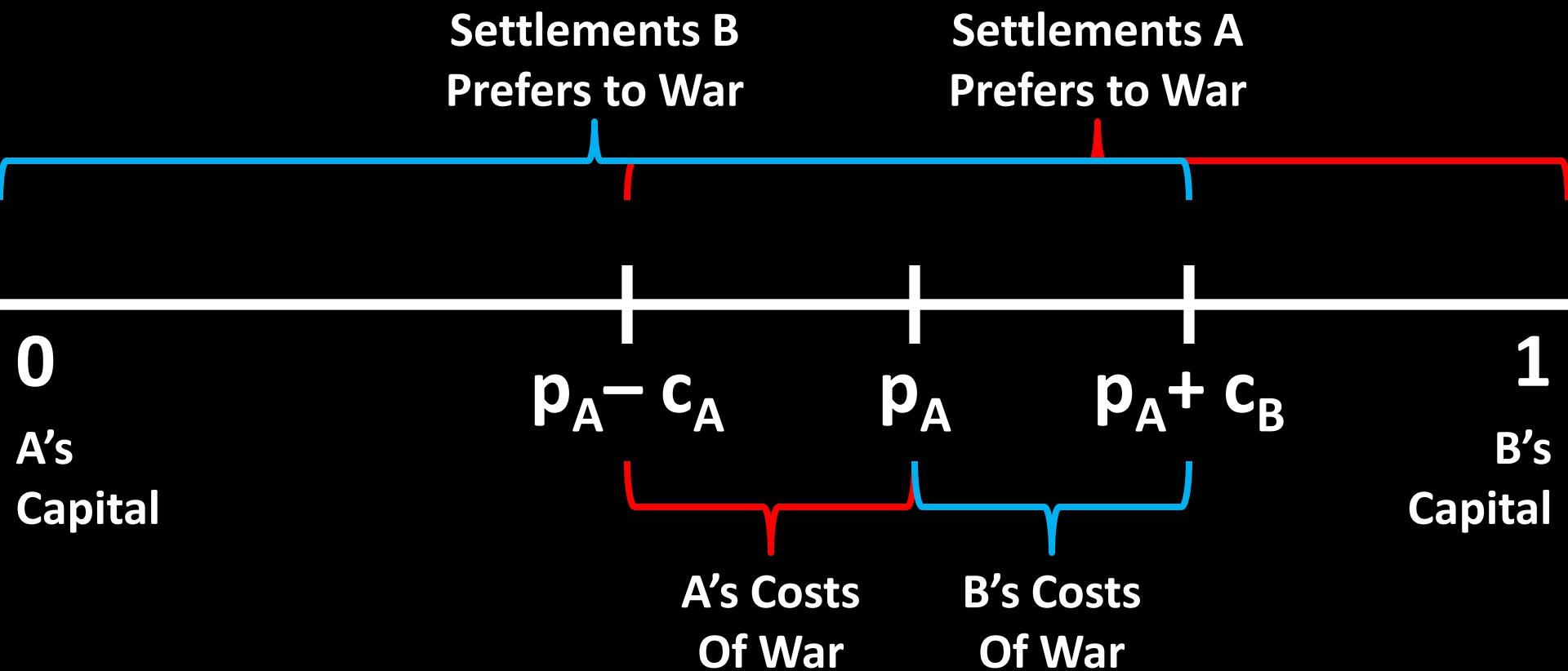


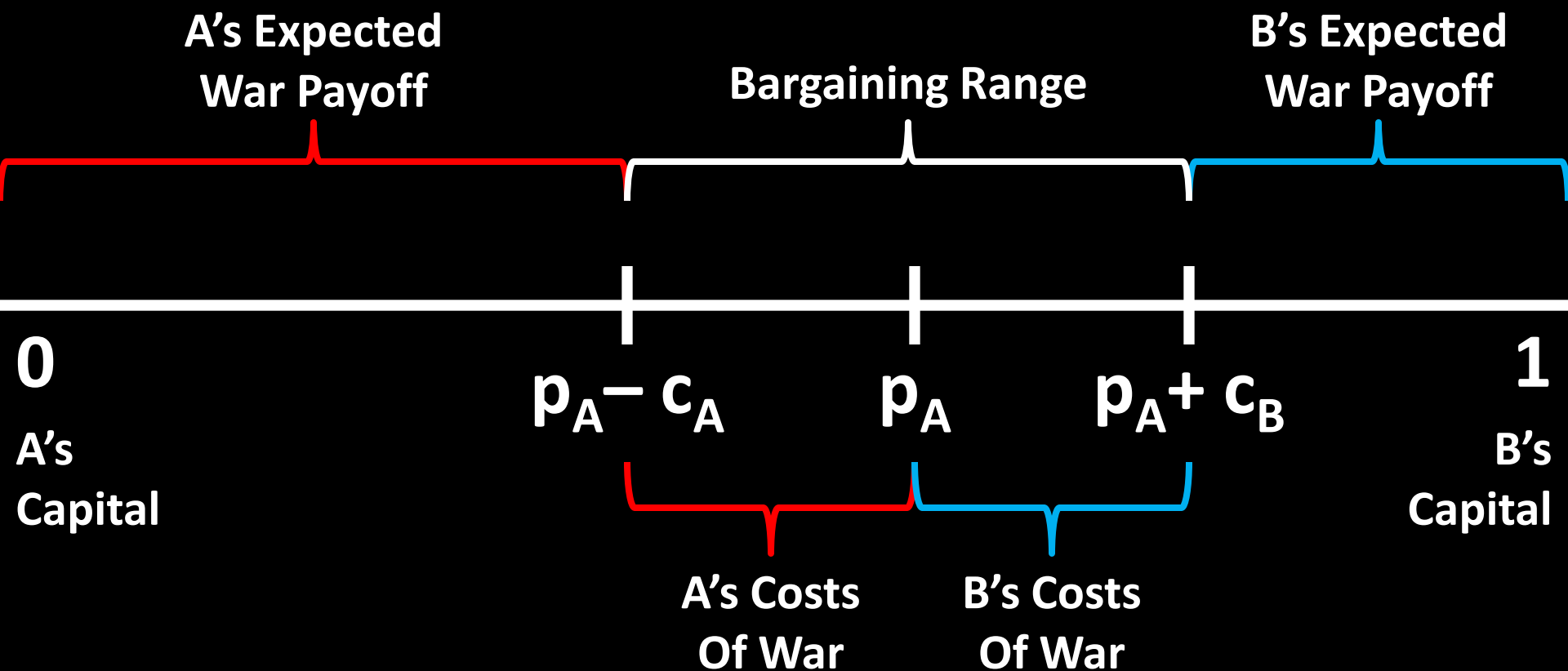












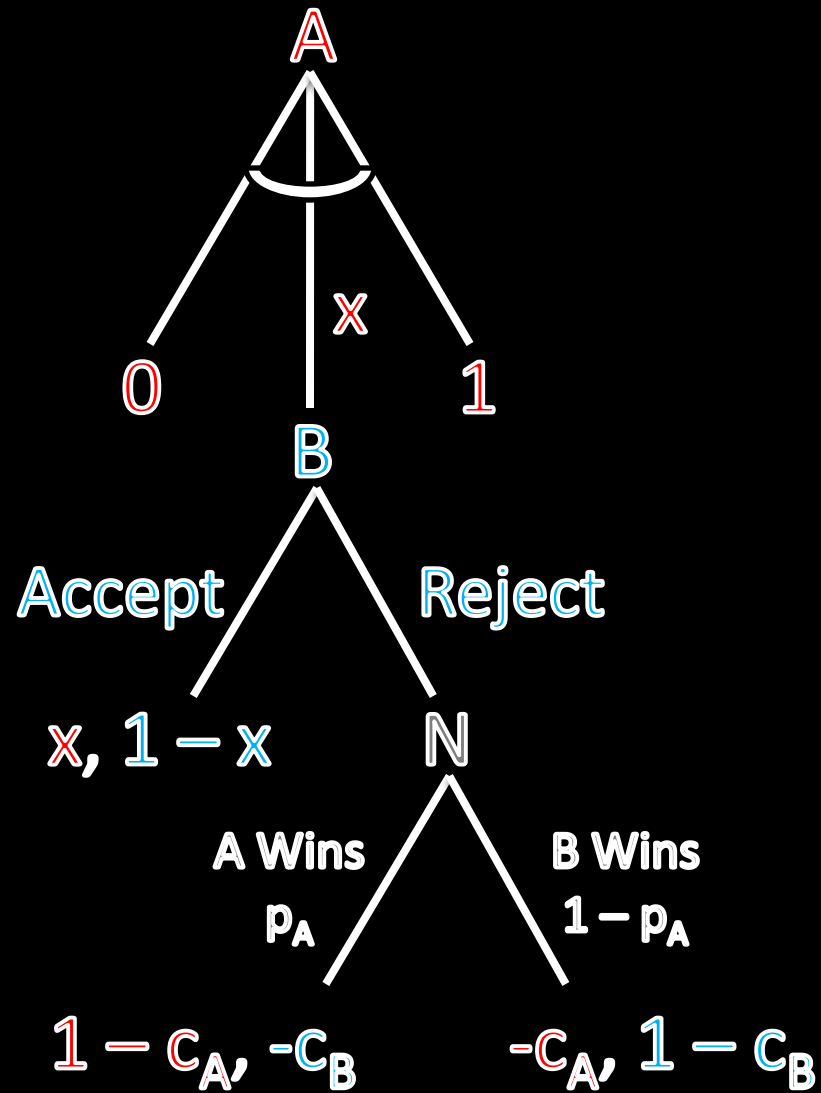
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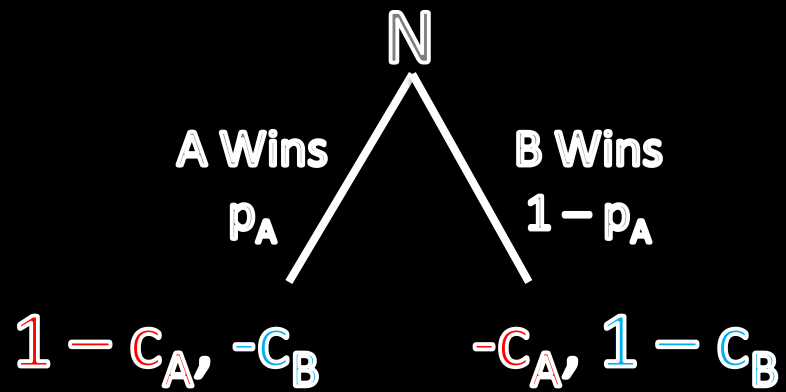
The Model

- Same as before, with one new assumption.
 - Suppose A controls the entire good at the start, and A gives B a take-it-or-leave-it offer.
 - If B accepts, the settlement is implemented. Otherwise, the states fight.

Crisis Bargaining

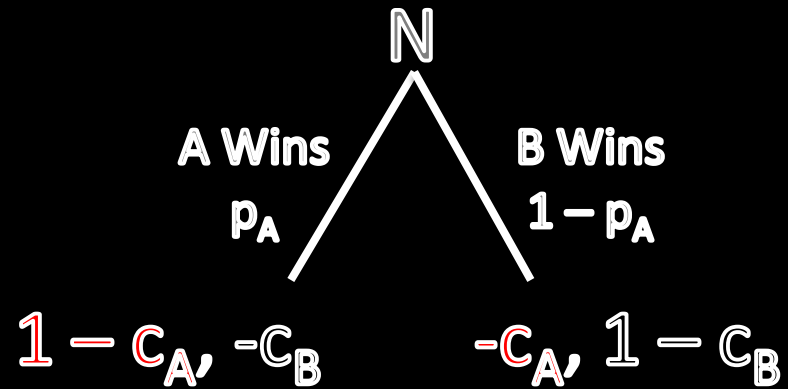


Crisis Bargaining



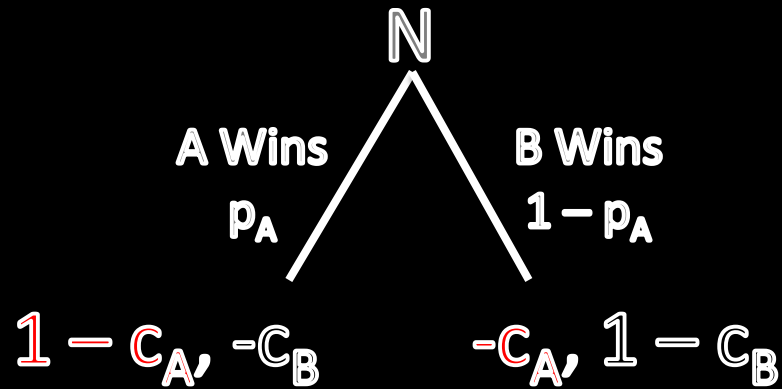
Crisis Bargaining

A's War Payoff



Crisis Bargaining

$$\begin{aligned} & \underline{A's \text{ War Payoff}} \\ & = p_A(1 - c_A) + (1 - p_A) - c_A \end{aligned}$$



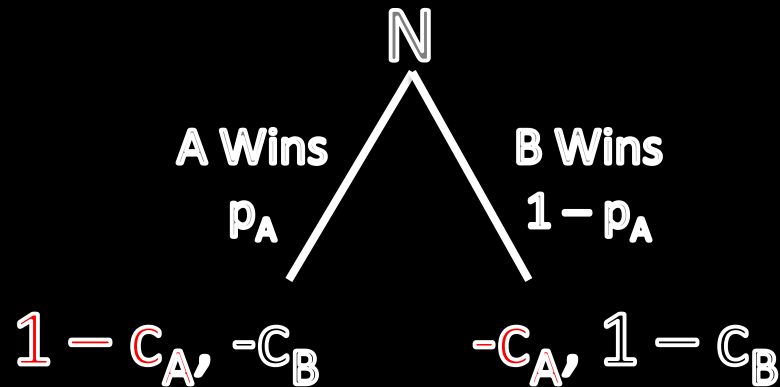
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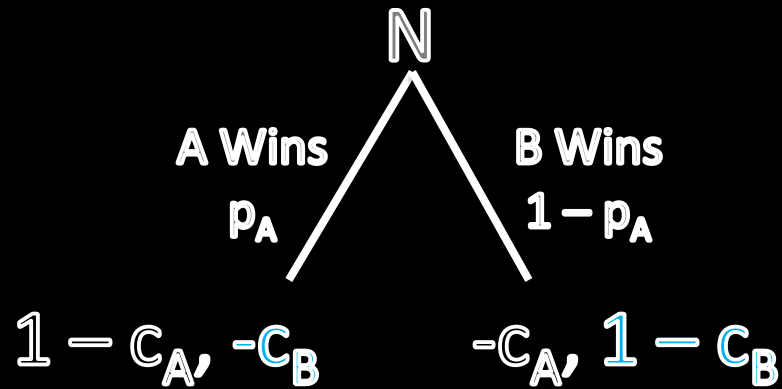
$$= p_A - p_A c_A - c_A + p_A c_A$$

$$= p_A - c_A$$



Crisis Bargaining

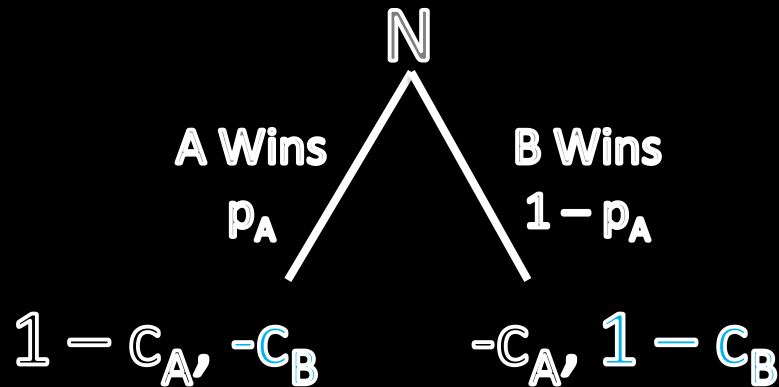
$$\begin{aligned} & \underline{\text{B's War Payoff}} \\ &= p_A(-c_B) + (1 - p_A)(1 - c_B) \end{aligned}$$



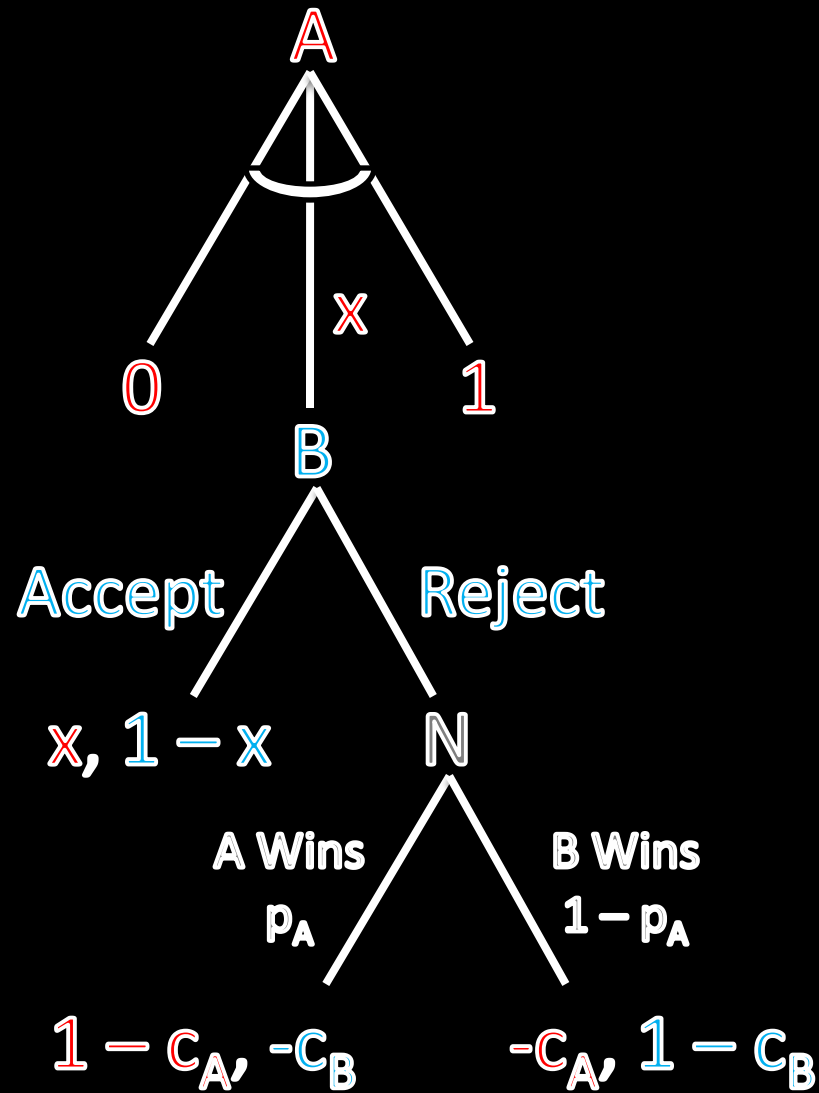
Crisis Bargaining

B's War Payoff

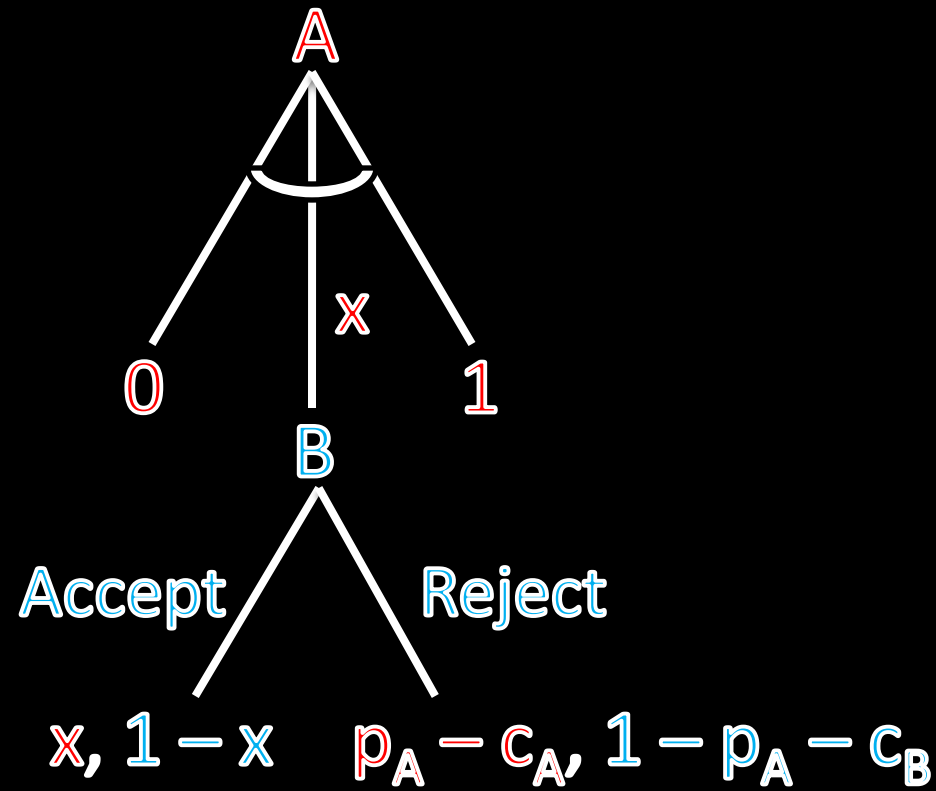
$$\begin{aligned} &= p_A(-c_B) + (1 - p_A)(1 - c_B) \\ &= -p_A c_B + 1 - c_B - p_A + p_A c_B \\ &= 1 - p_A - c_B \end{aligned}$$



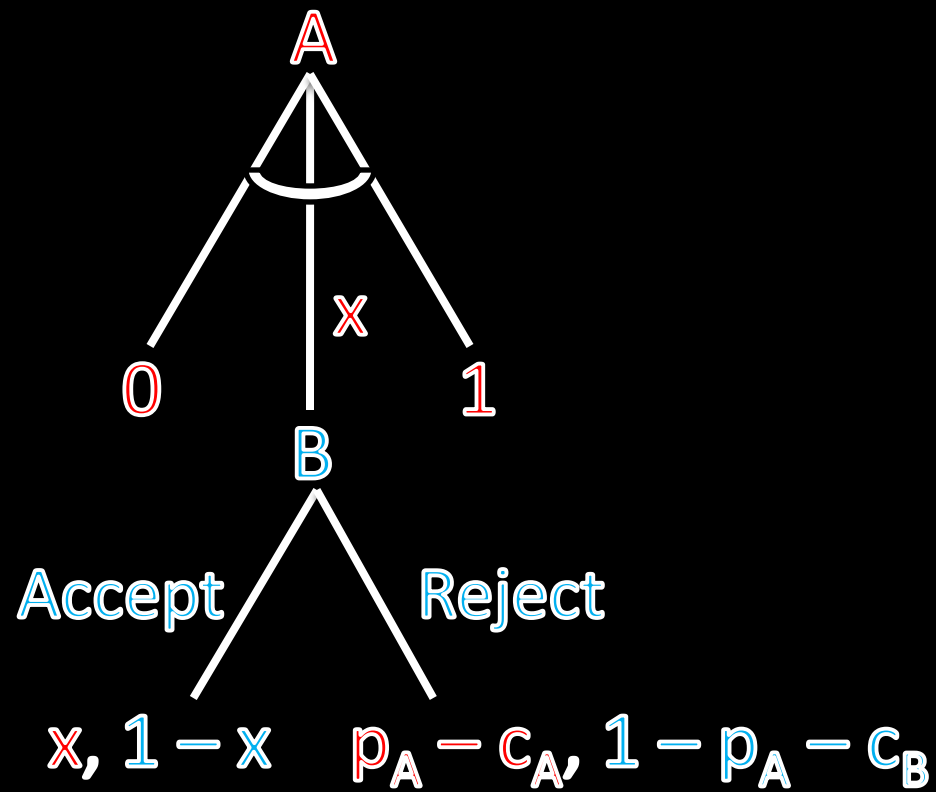
Crisis Bargaining



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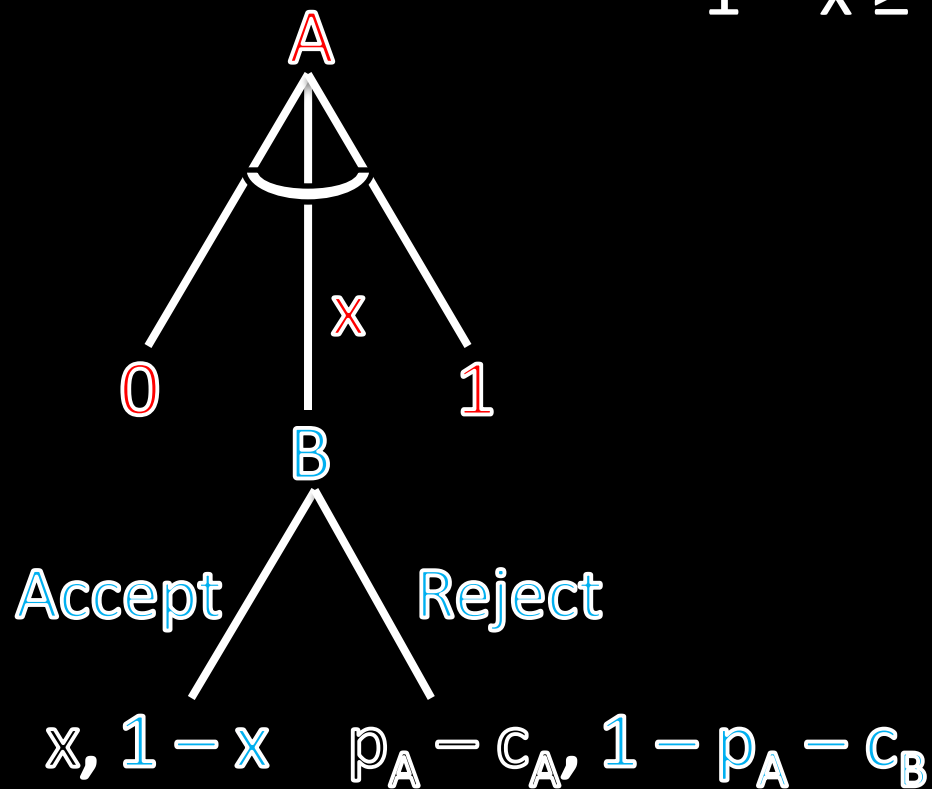
Crisis Bargaining



Crisis Bargaining

B Is Willing To Accept If

$$1 - x \geq 1 - p_A - c_B$$



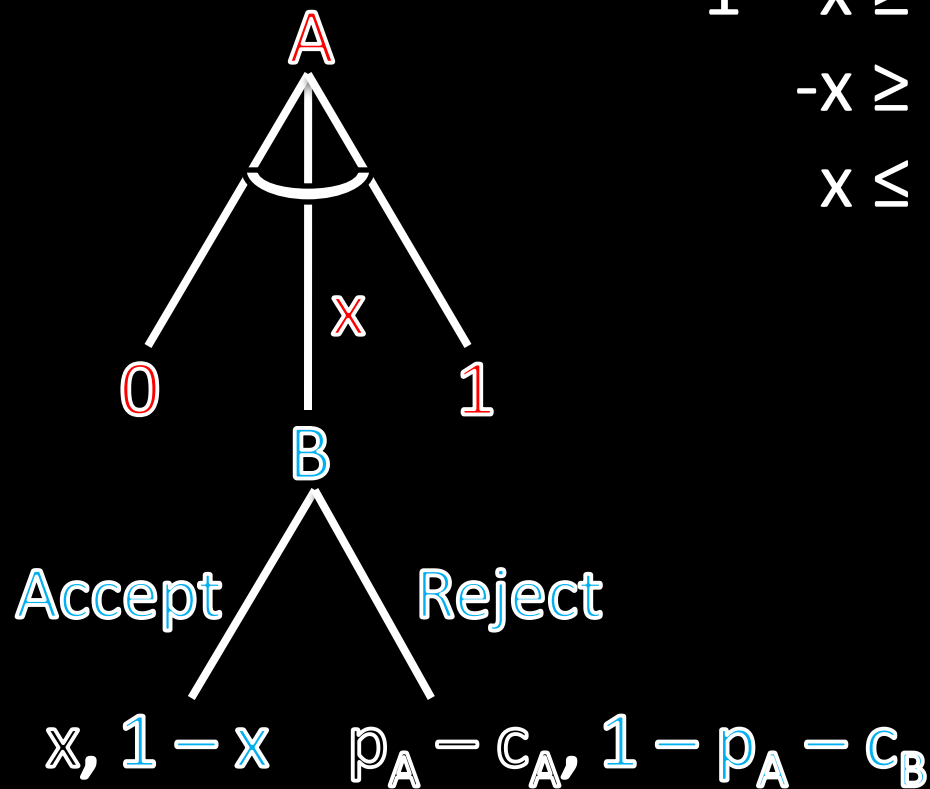
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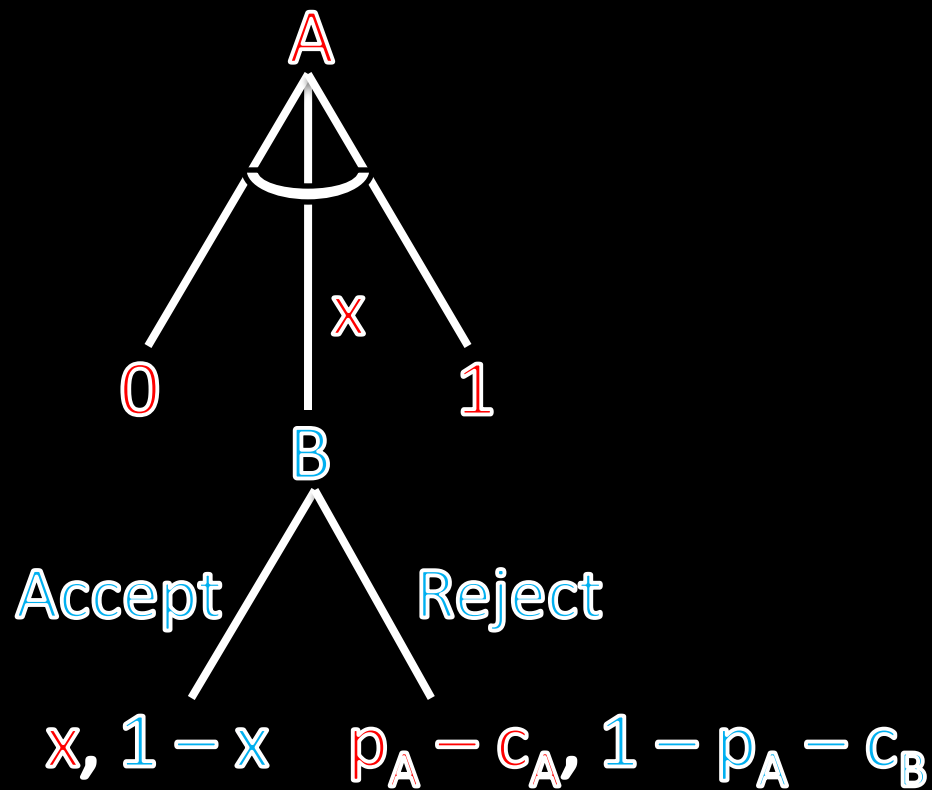
$$-x \geq -p_A - c_B$$

$$x \leq p_A + c_B$$



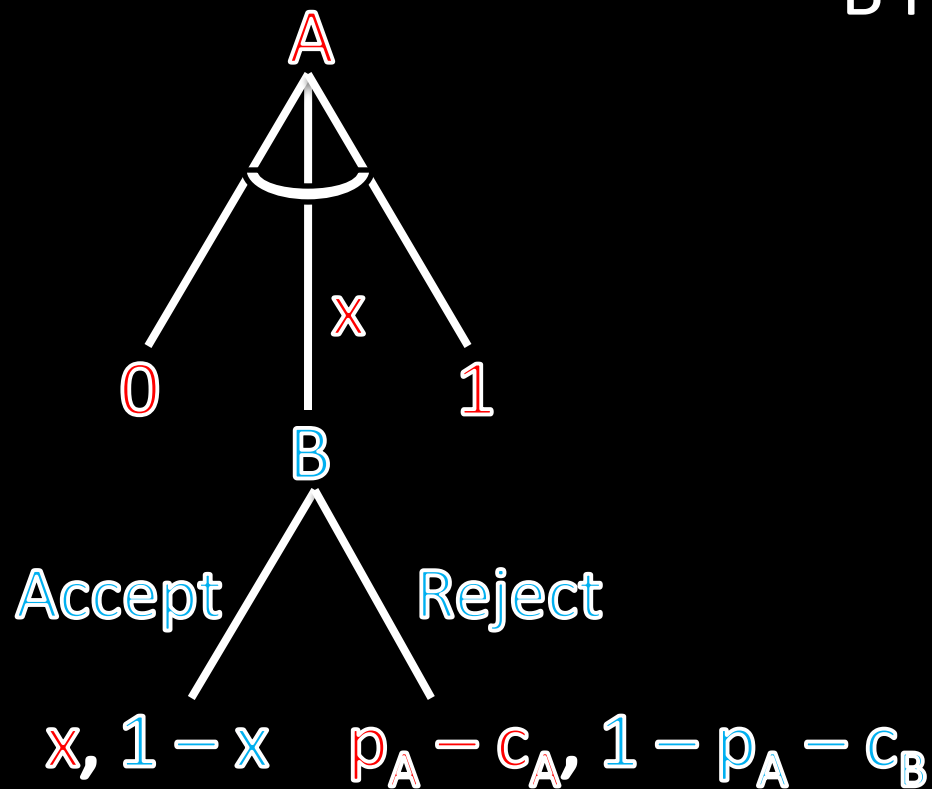
Crisis Bargaining

If A Demands More than $p_A + c_B$



Crisis Bargaining

If A Demands More than $p_A + c_B$
B rejects

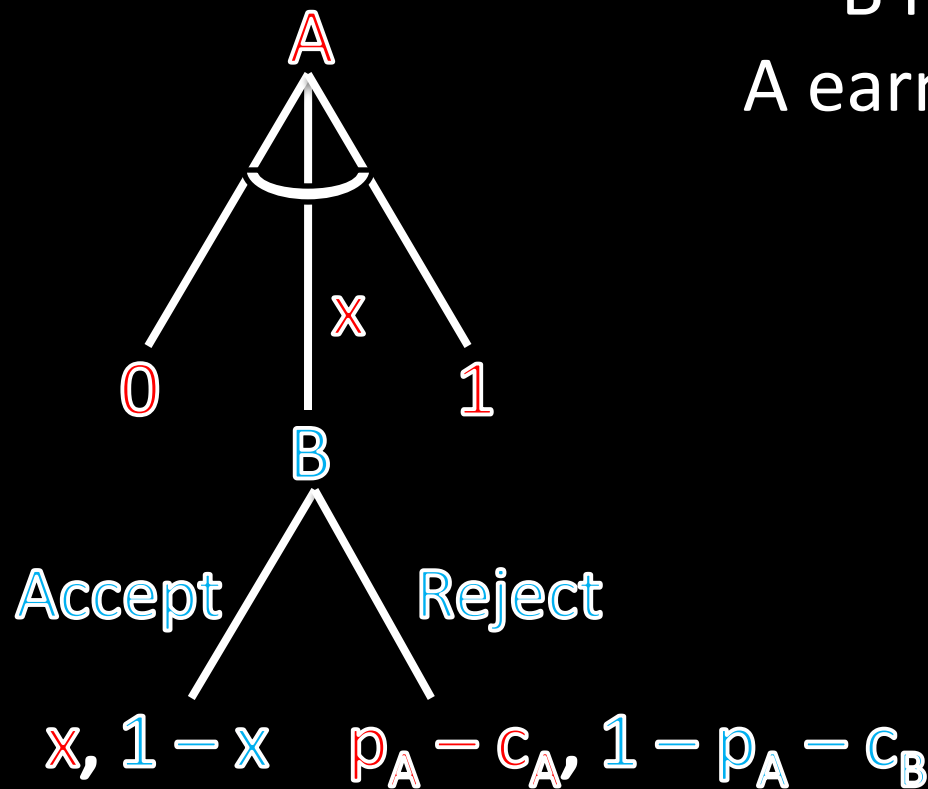


Crisis Bargaining

If A Demands More than $p_A + c_B$

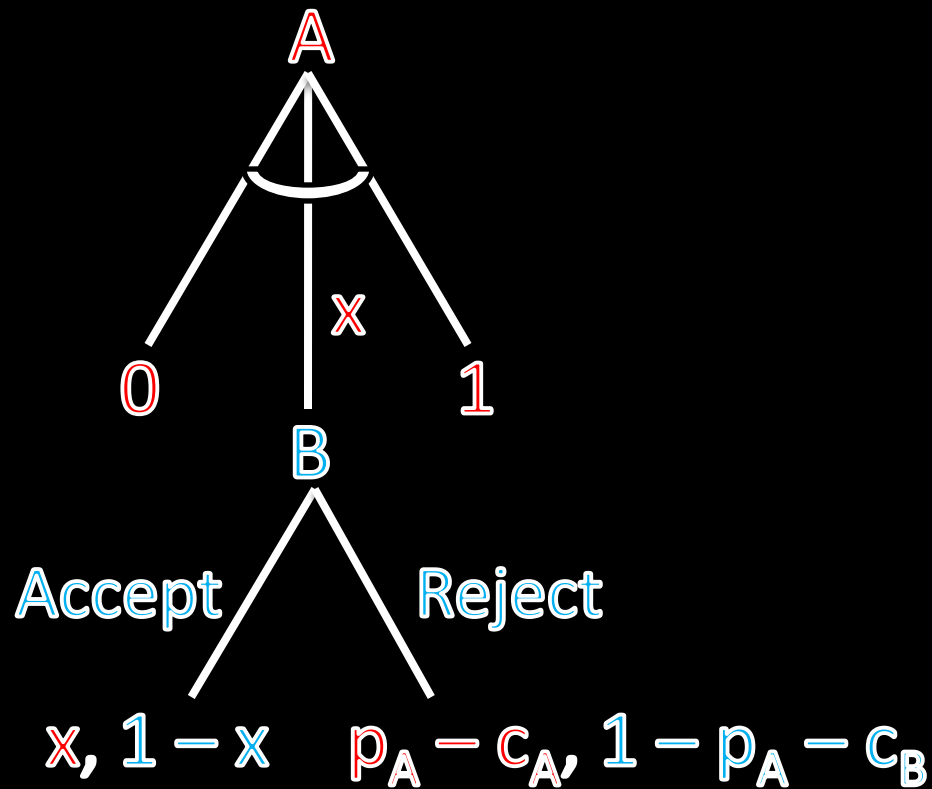
B rejects

A earns $p_A - c_A$



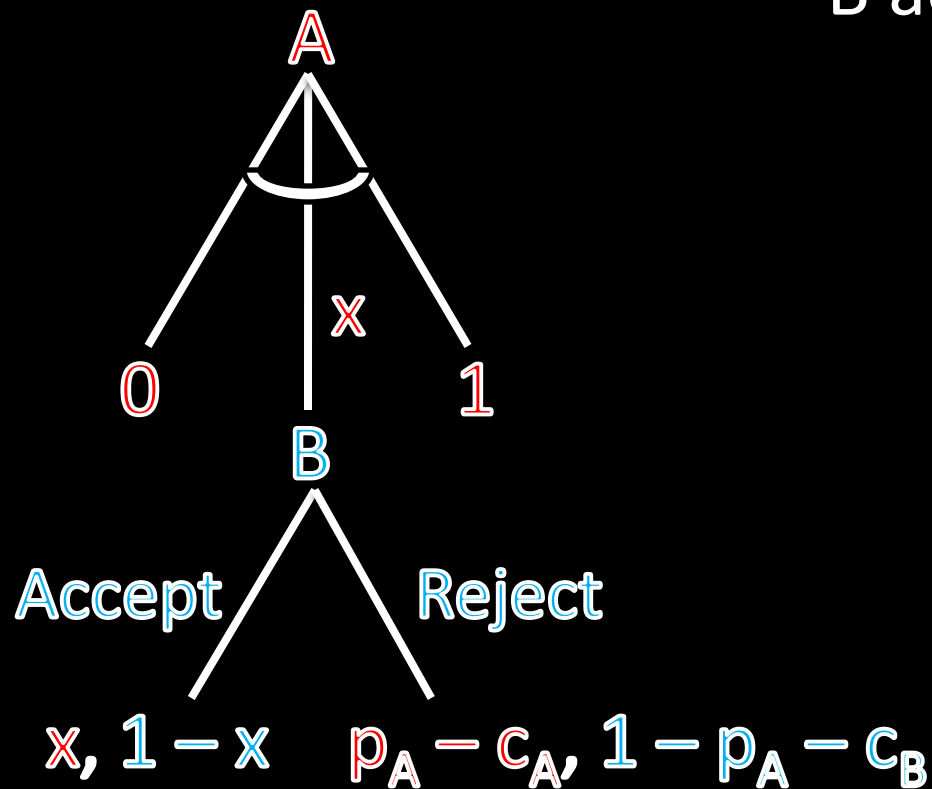
Crisis Bargaining

If A Demands No More than $p_A + c_B$



Crisis Bargaining

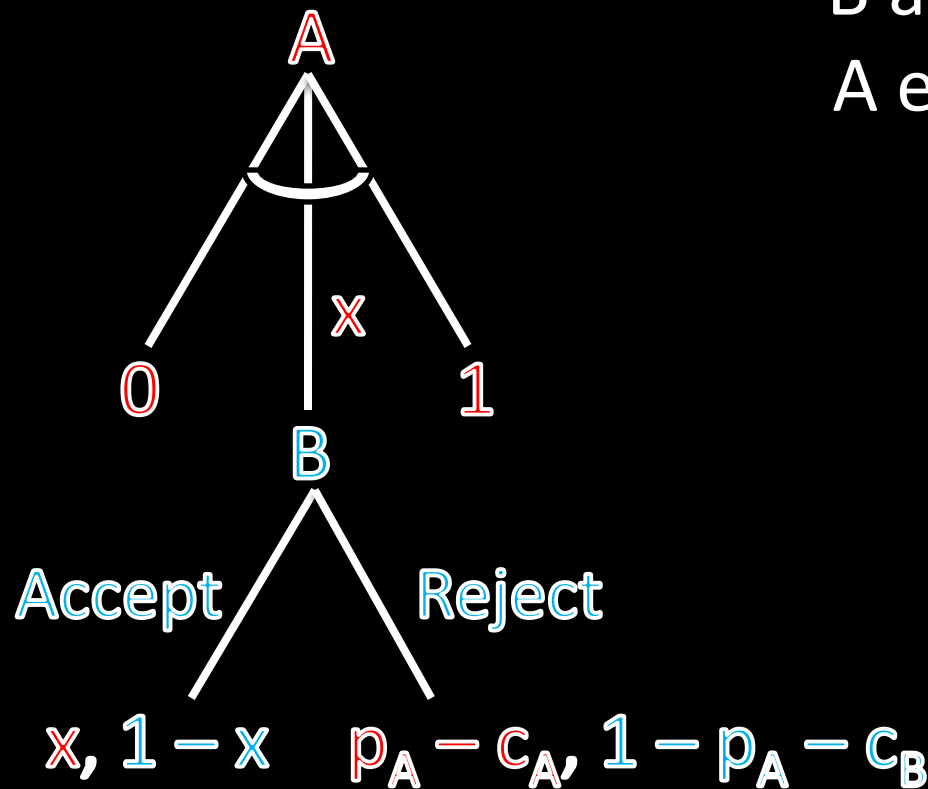
If A Demands No More than $p_A + c_B$
B accepts



Crisis Bargaining

If A Demands No More than $p_A + c_B$

B accepts
A earns x



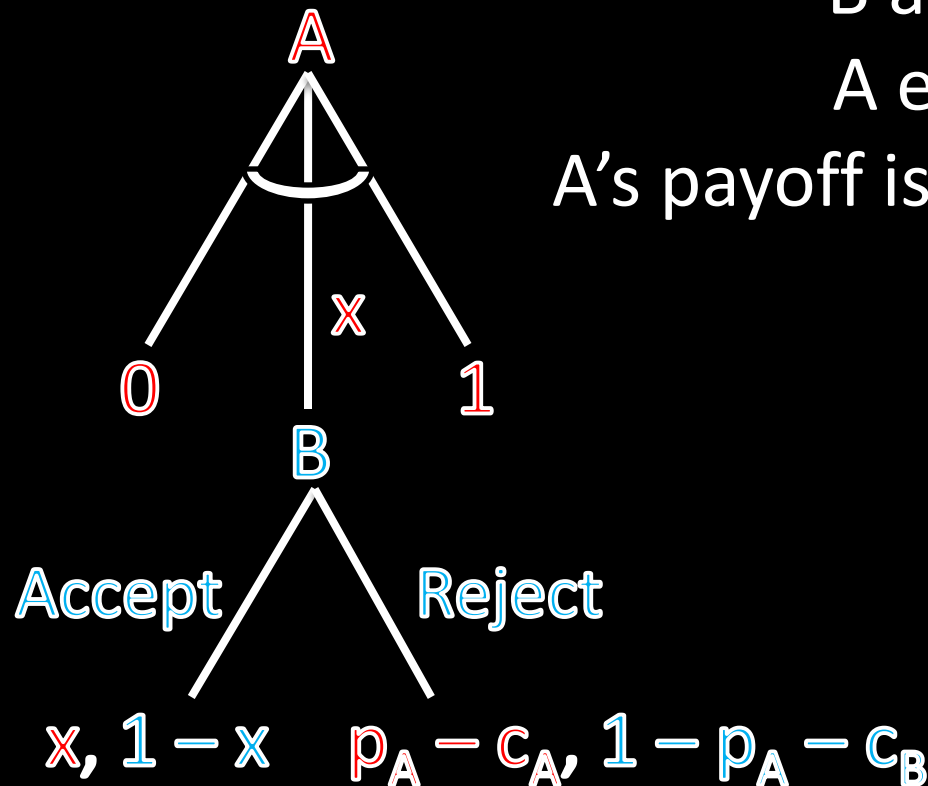
Crisis Bargaining

If A Demands No More than $p_A + c_B$

B accepts

A earns x

A's payoff is increasing in x



Crisis Bargaining

If A Demands No More than $p_A + c_B$

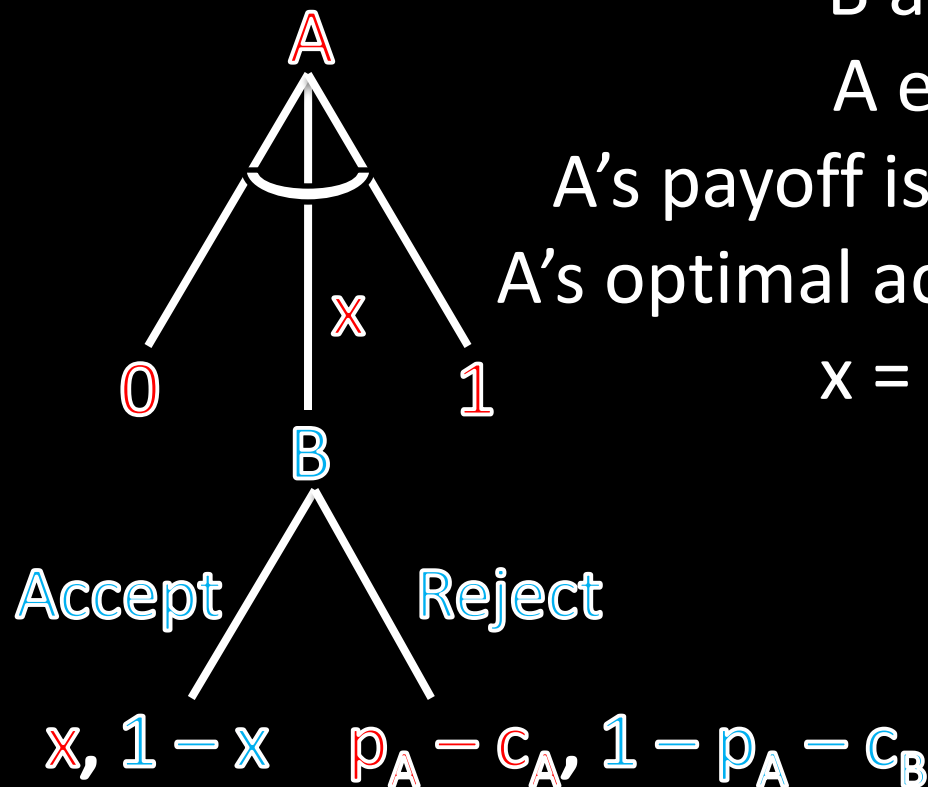
B accepts

A earns x

A's payoff is increasing in x

A's optimal acceptable offer is

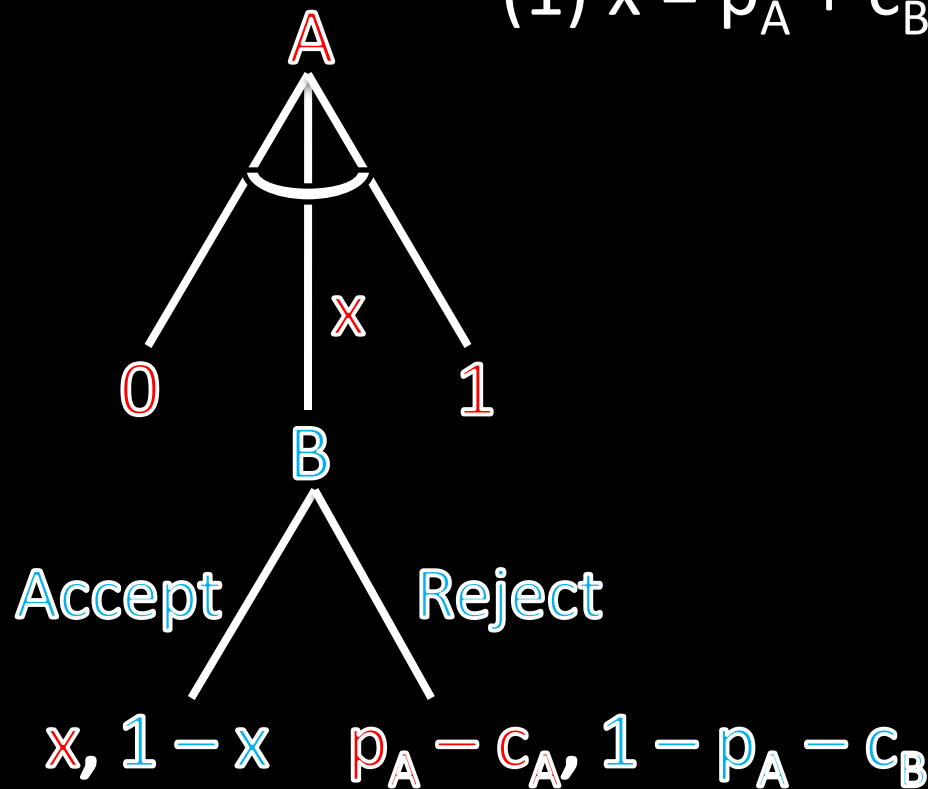
$$x = p_A + c_B$$



Crisis Bargaining

Which is better for A?

(1) $x = p_A + c_B$ or (2) $x > p_A + c_B$

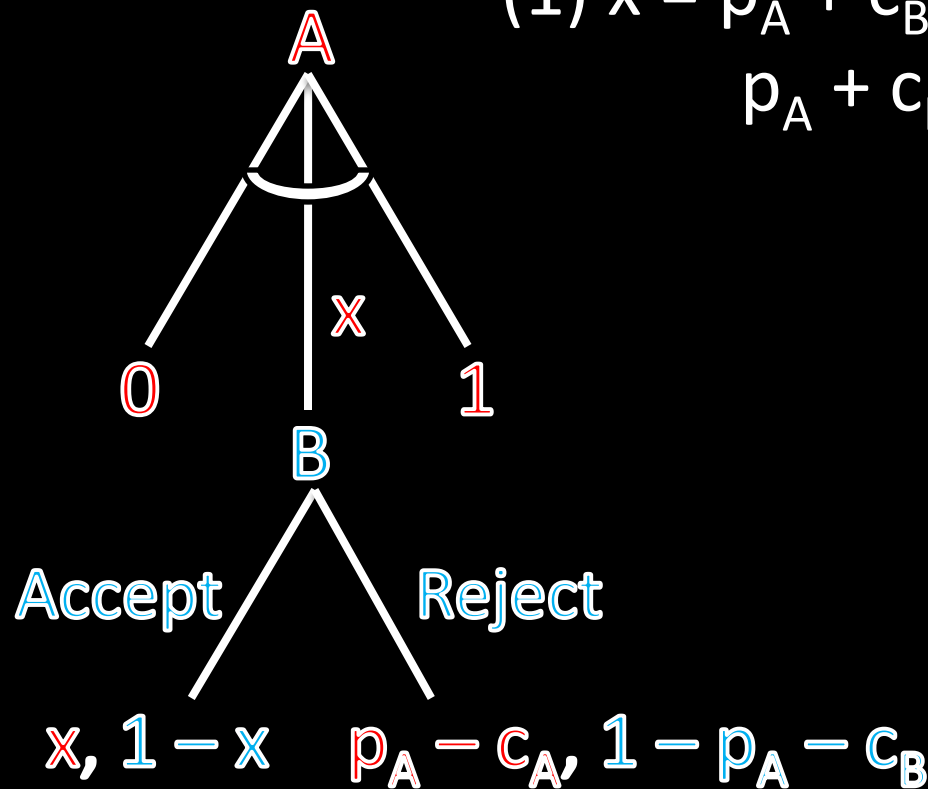


Crisis Bargaining

Which is better for A?

(1) $x = p_A + c_B$ or (2) $x > p_A + c_B$

$p_A + c_B$ $p_A - c_A$

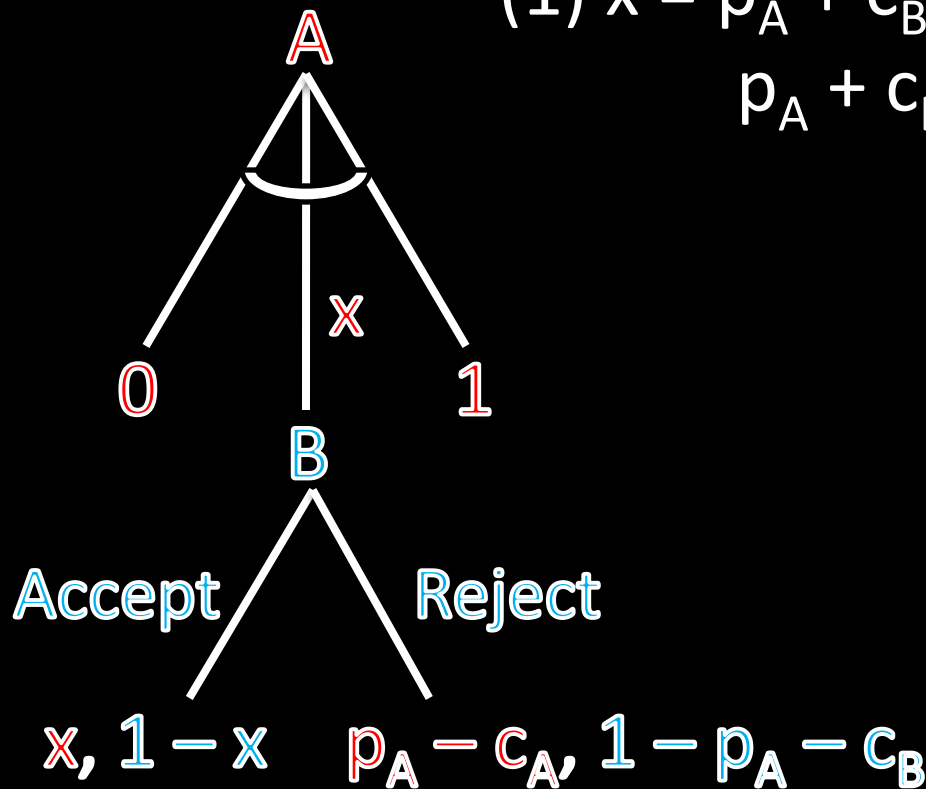


Crisis Bargaining

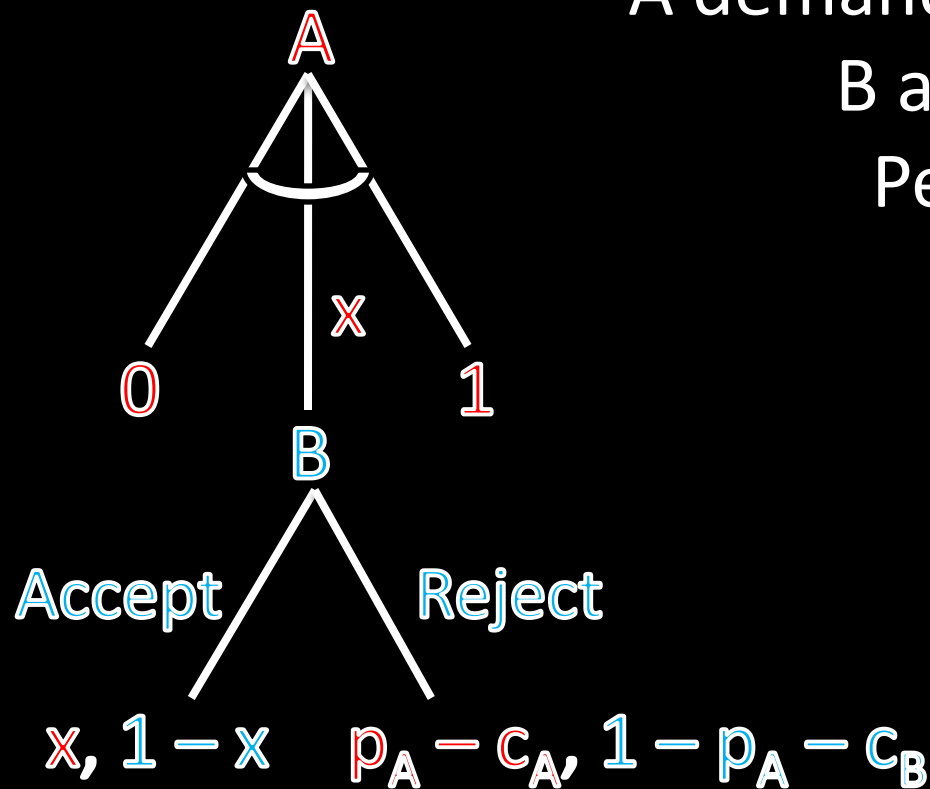
Which is better for A?

(1) $x = p_A + c_B$ or (2) $x > p_A + c_B$

$$p_A + c_B > p_A - c_A$$



Crisis Bargaining



The Outcome

A demands $x = p_A + c_B$

B accepts

Peace!

Road Map

- All of our models have resulted in peace.
 - But these models are way too simple!

Road Map

- All of our models have resulted in peace.
 - But these models are way too simple!
 - Some strong assumptions:
 - Power remains stable through time.
 - Everyone knows each other's strengths.
 - Object is infinitely divisible.
 - No first strike advantages.

Outline

- War in the Court
- Unitary Actor Assumption
- Algebraic Model
- Geometric Model
- Ultimatum Game
- Preventive War
- Information Problems
- Issue Indivisibility
- Preemptive War
- Understanding War
- Measuring Power
- Militarized Interstate Disputes
- Correlates of War and the Long Peace

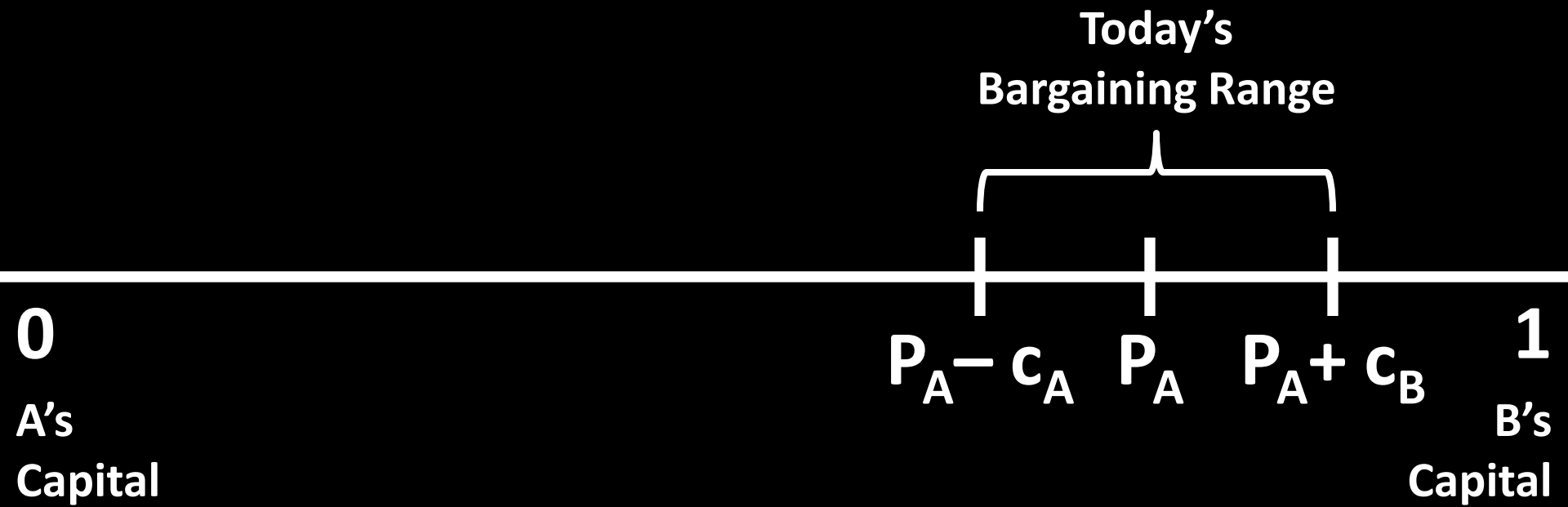
Big question: Why do power shifts lead to war?

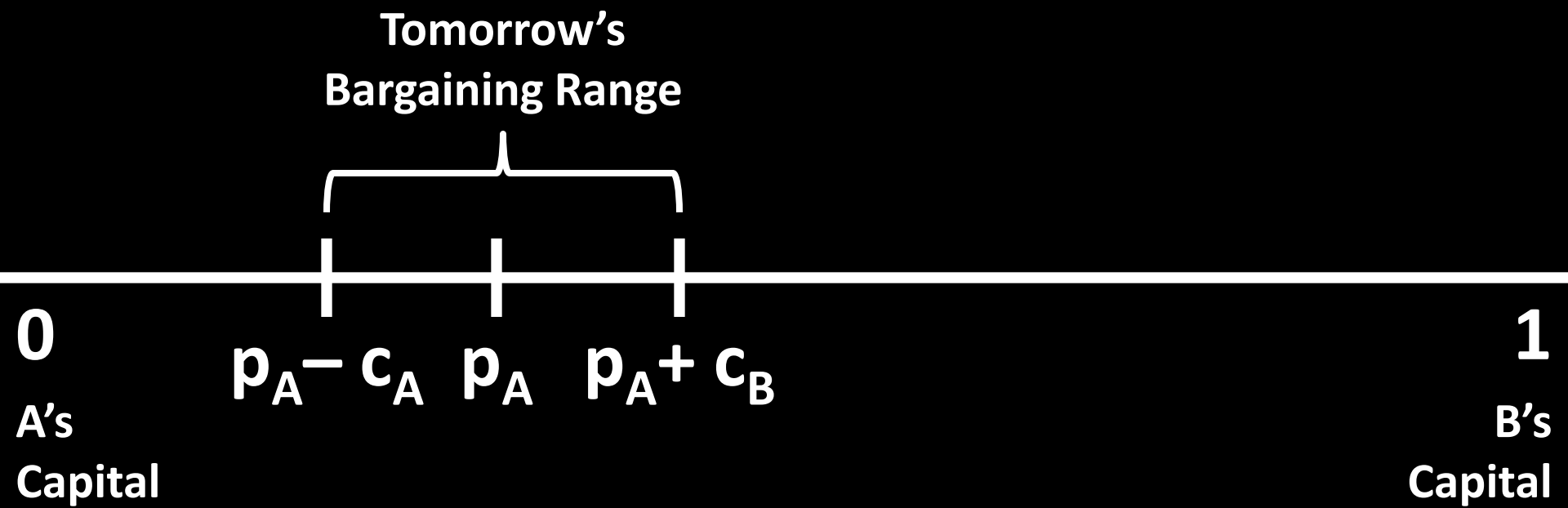
The Contenders

1. Rising states start wars after they have become strong to steal stuff from the declining states.
2. Declining states choose to fight because they prefer a costly war today to an efficient but disadvantageous peace tomorrow.
3. Power shifts only cause problems when the rising state surpasses the declining state in strength.

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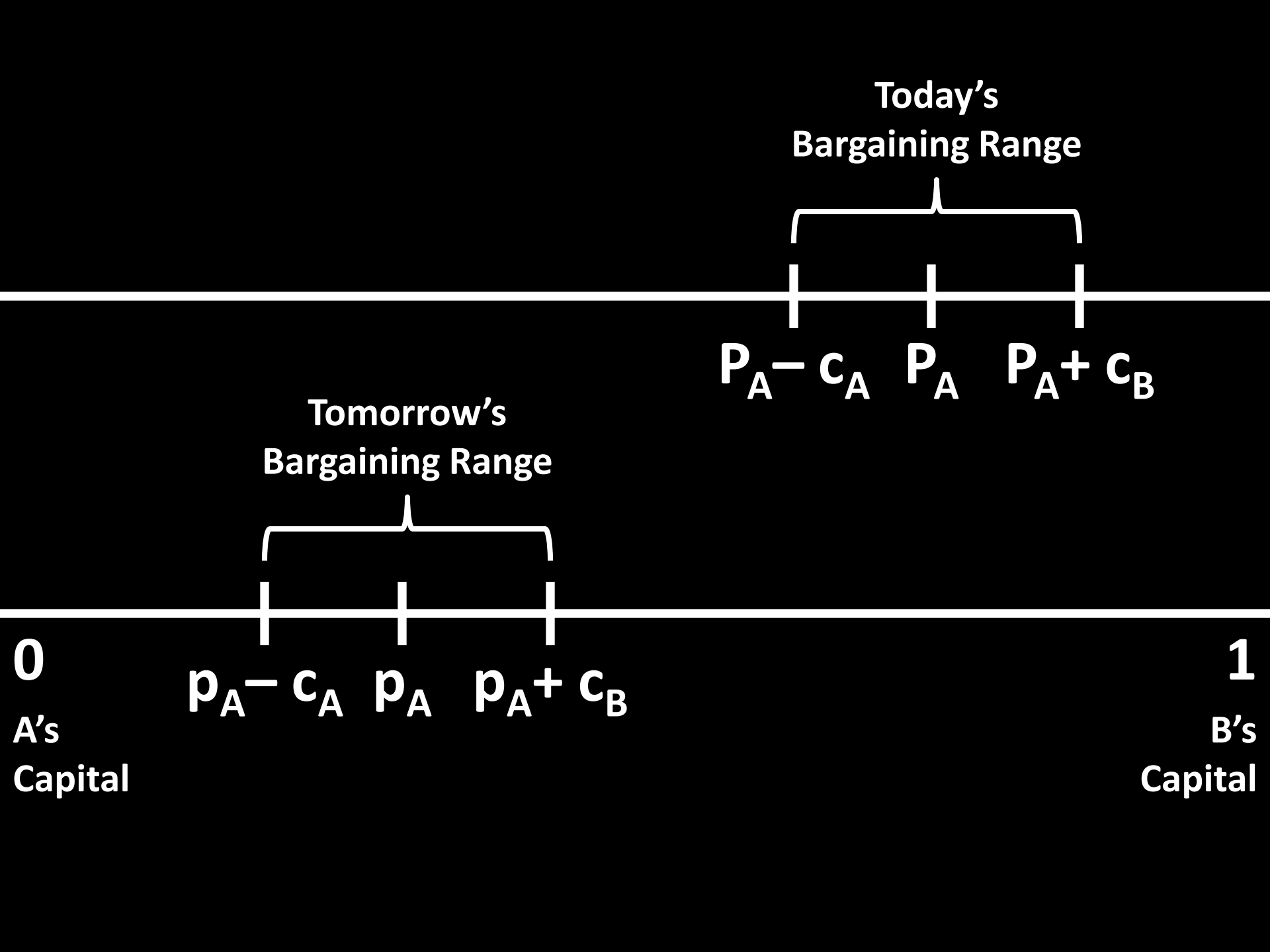


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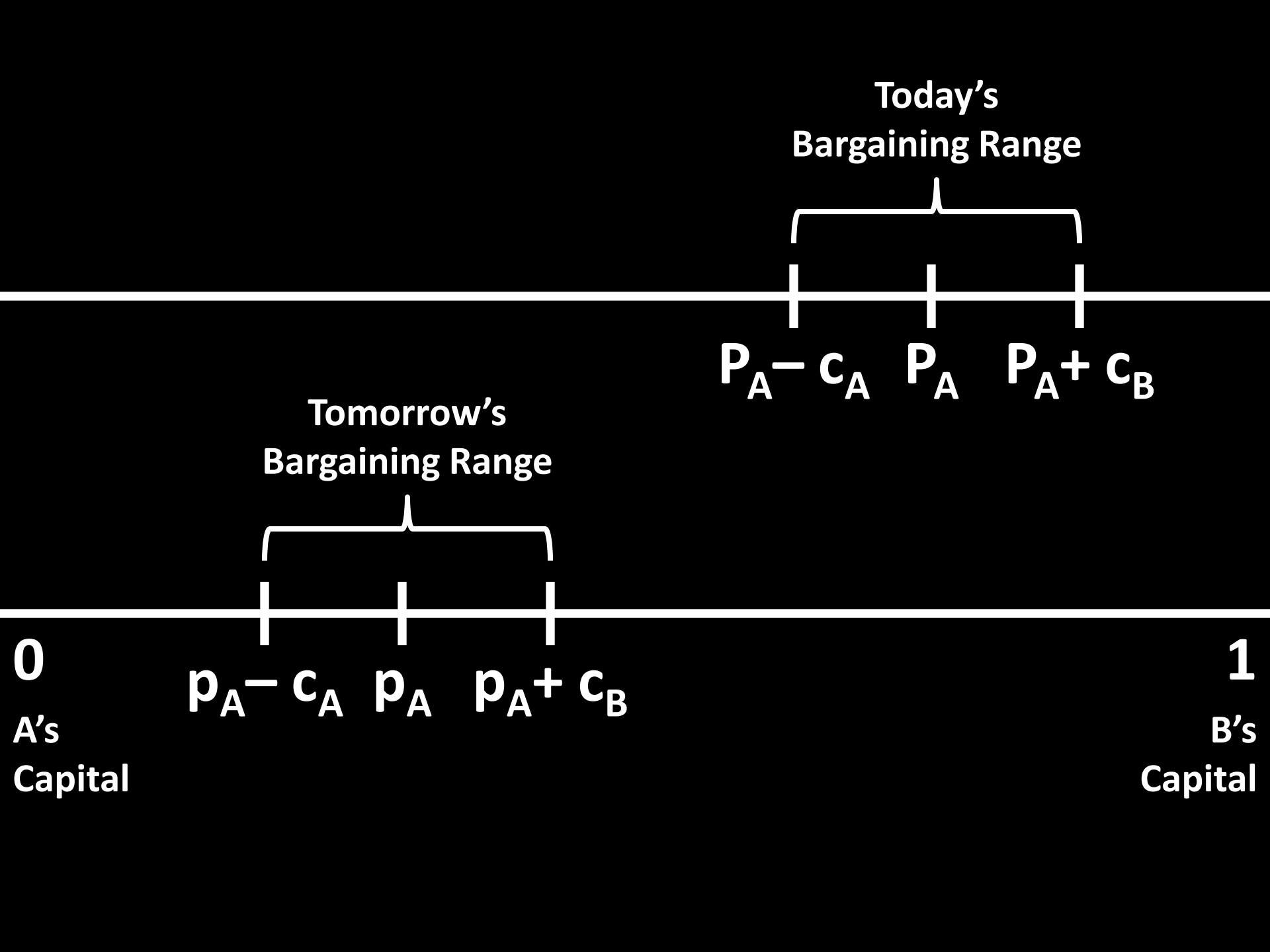


The Contenders

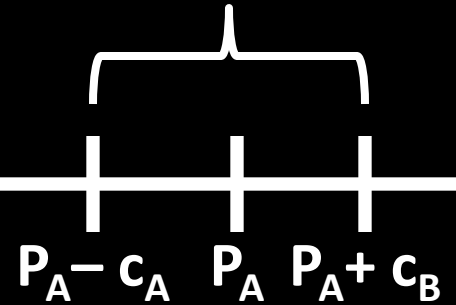
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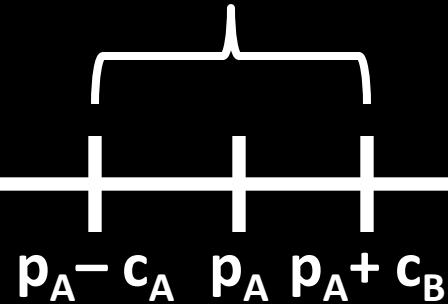
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Today's
Bargaining Range



Tomorrow's
Bargaining Range



0

A's
Capital

1

B's
Capital

The Contenders

- ~~1. Rising states start wars after they have become strong to steal stuff from the declining states.~~
2. Declining states choose to fight because they prefer a costly war today to an efficient but disadvantageous peace tomorrow.
- ~~3. Power shifts only cause problems when the rising state surpasses the declining state in strength.~~

Preventive War

- Definition: When a declining state fights because it prefers a costly war today to an efficient but disadvantageous peace tomorrow.

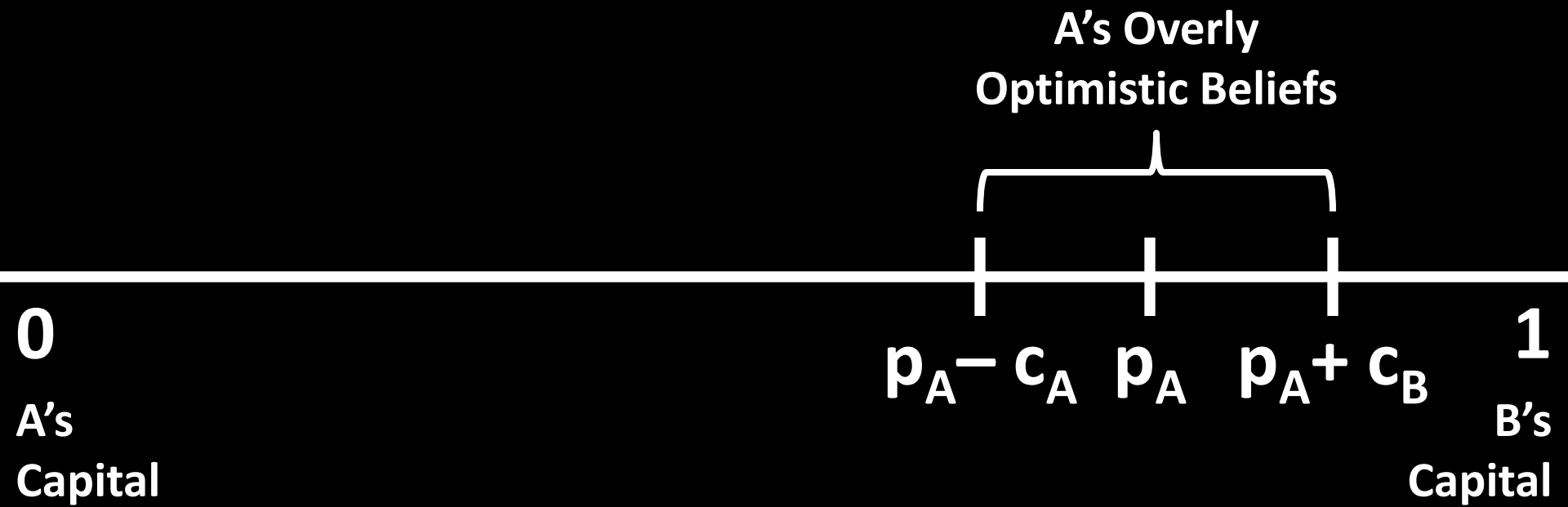
Outline

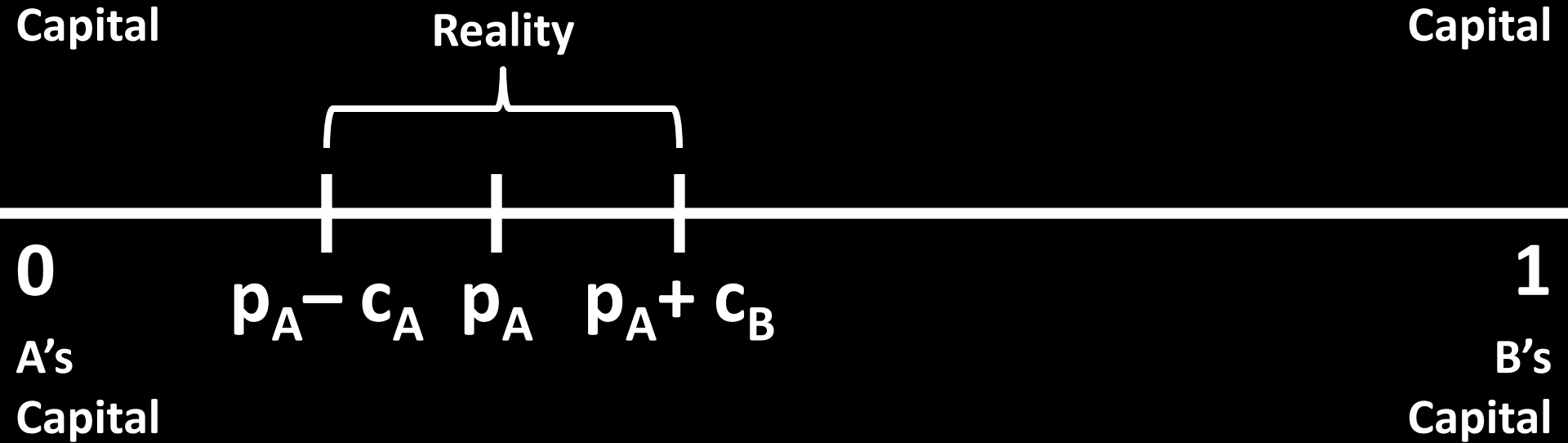
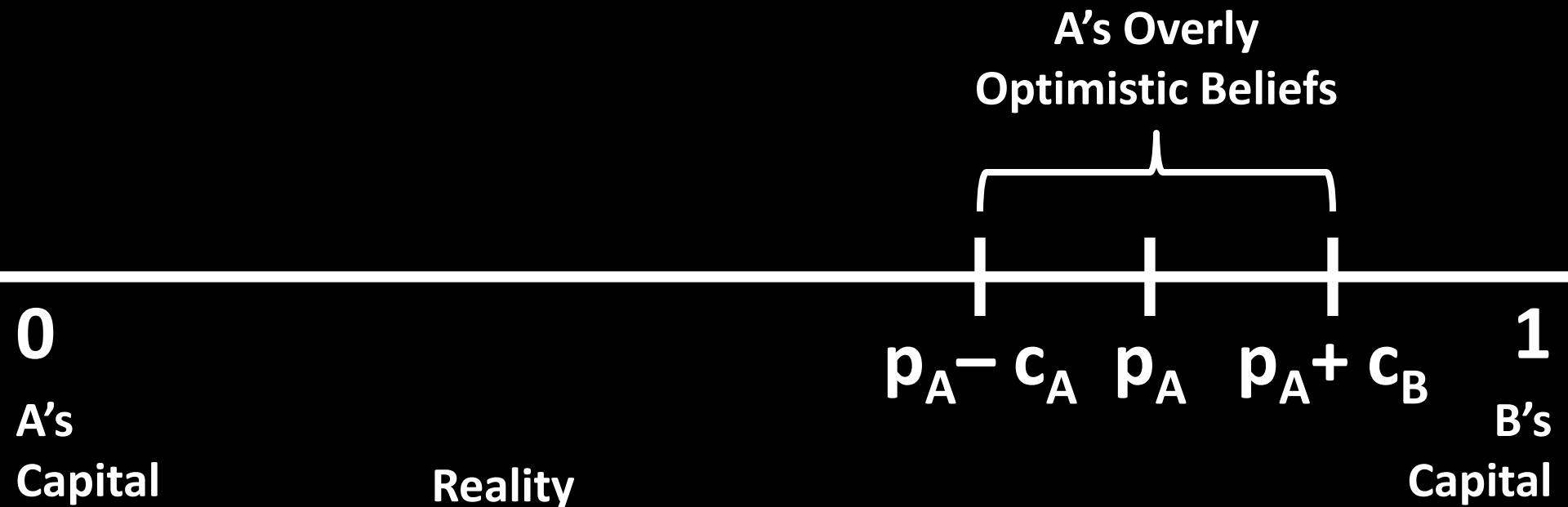
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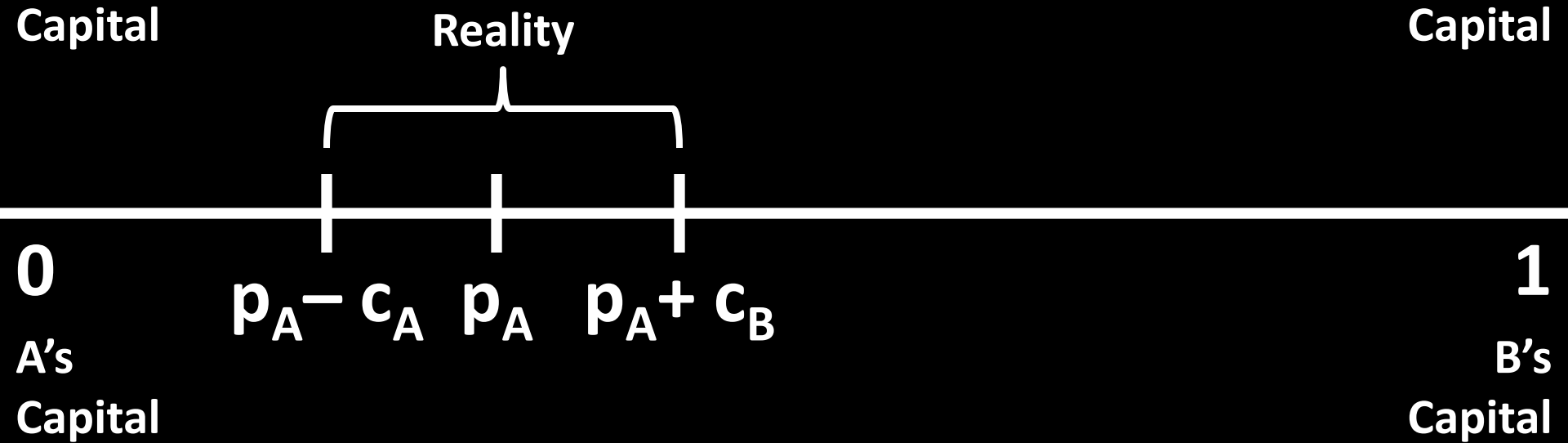
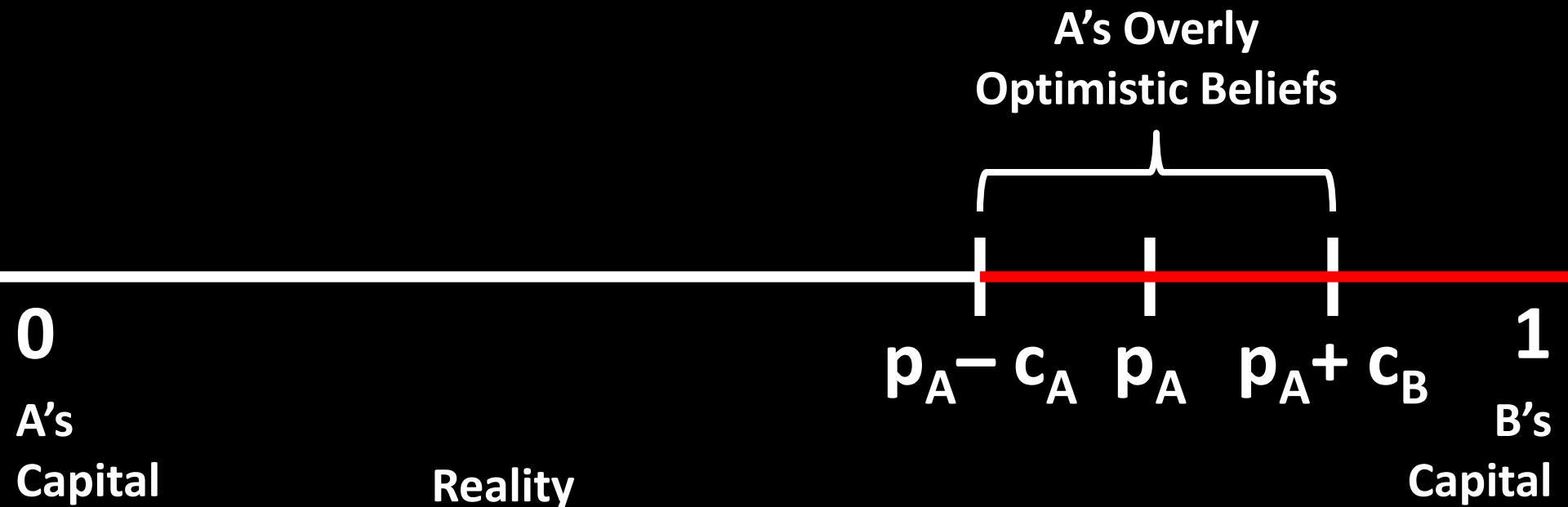
Big question: How does
uncertainty cause war?

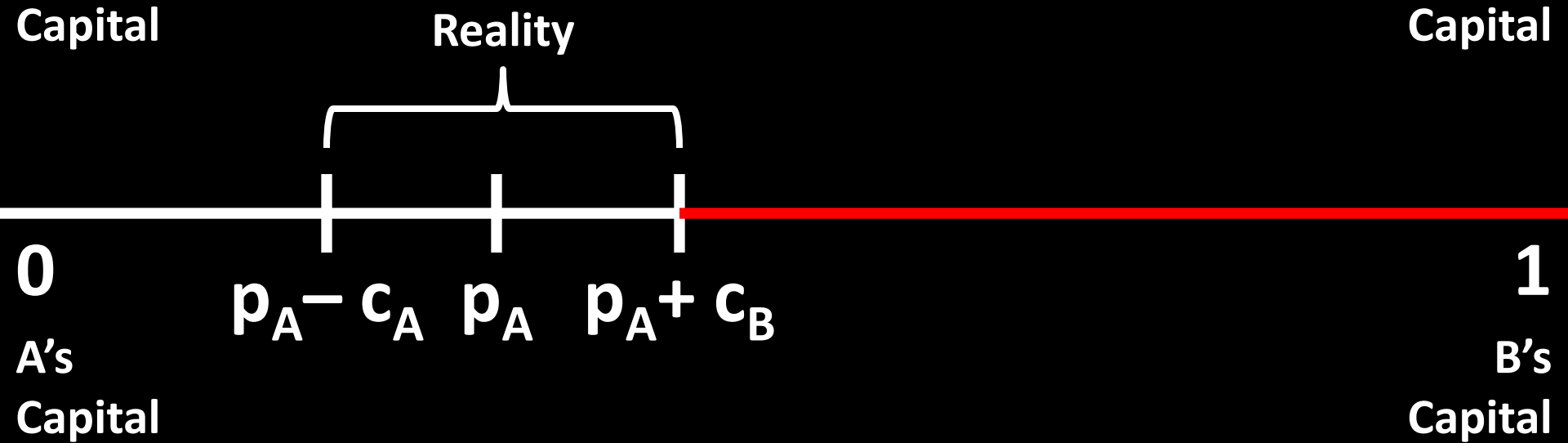
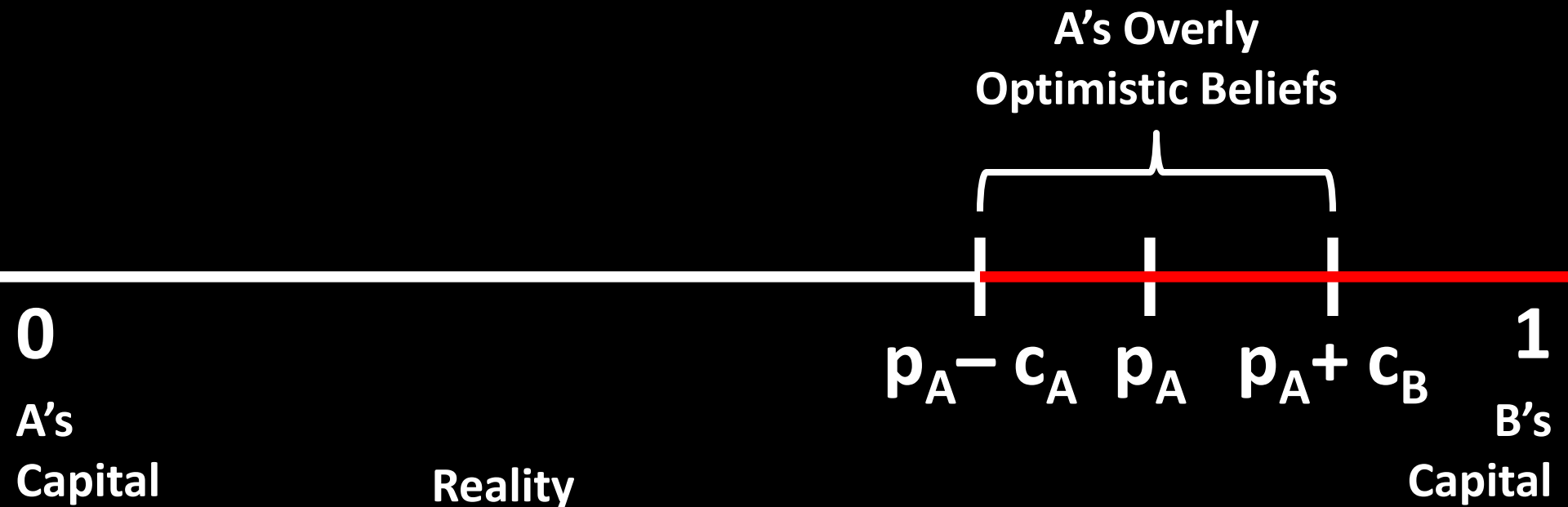
Two Reasons

1. Disagreement over who will win.
 - Suppose B is weak or strong.
2. Uncertain resolve.



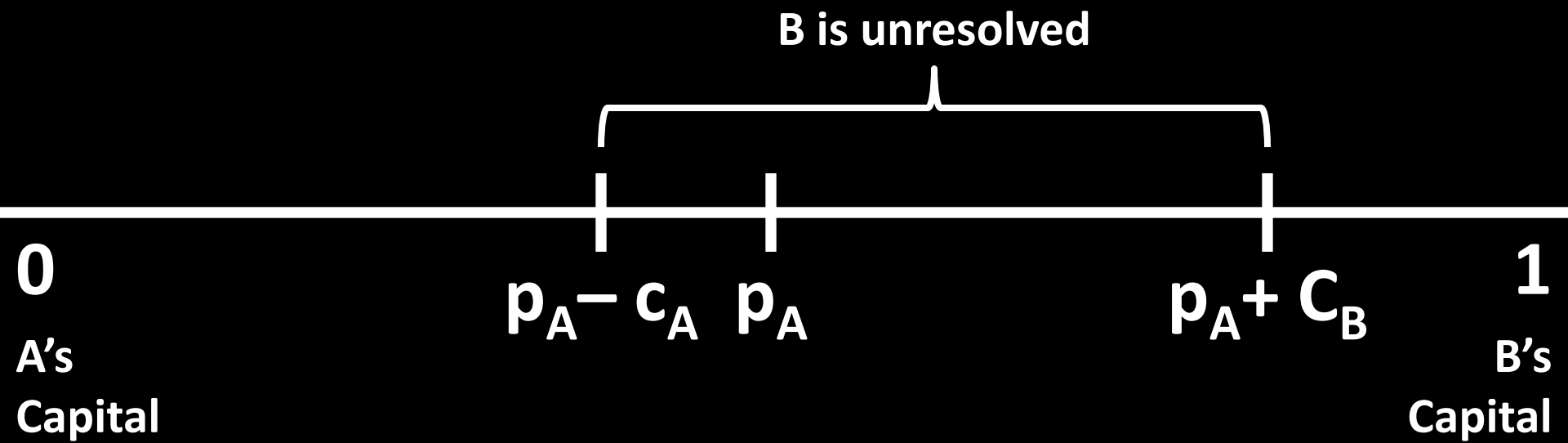


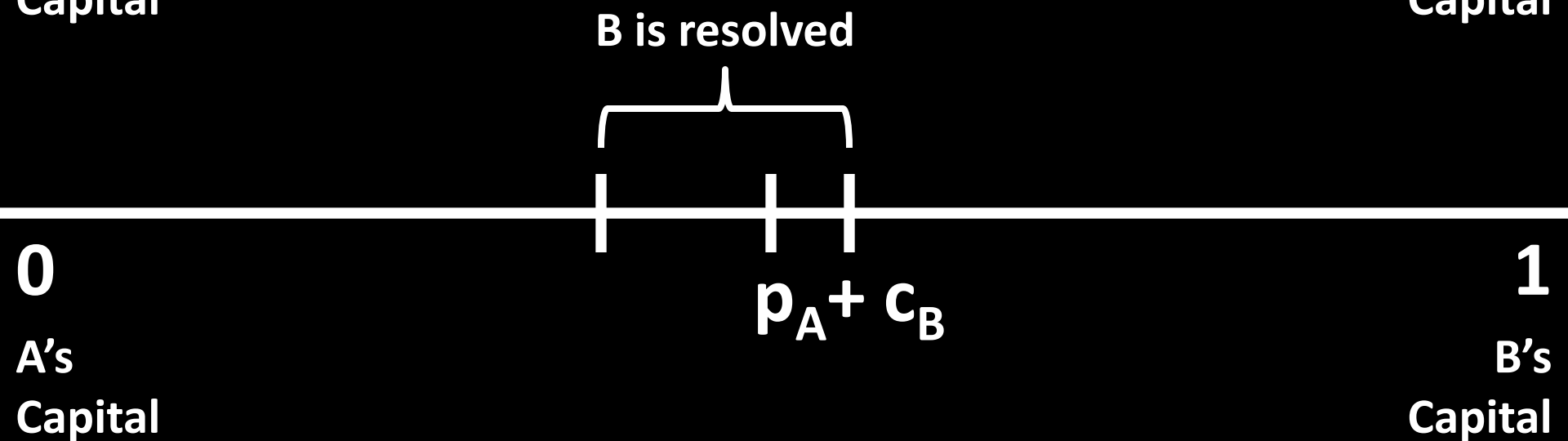
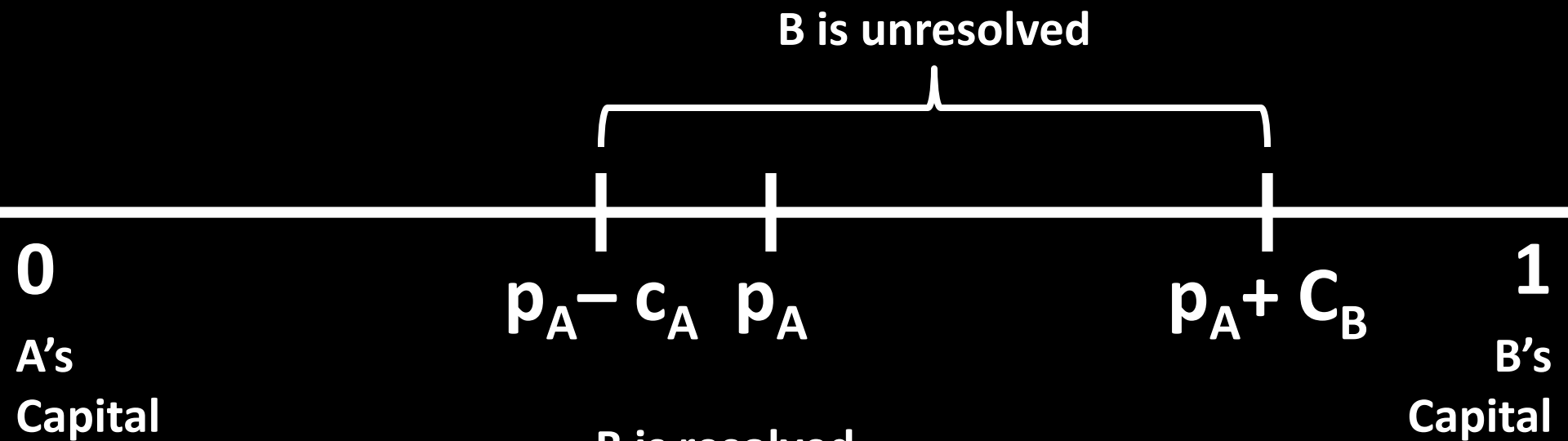


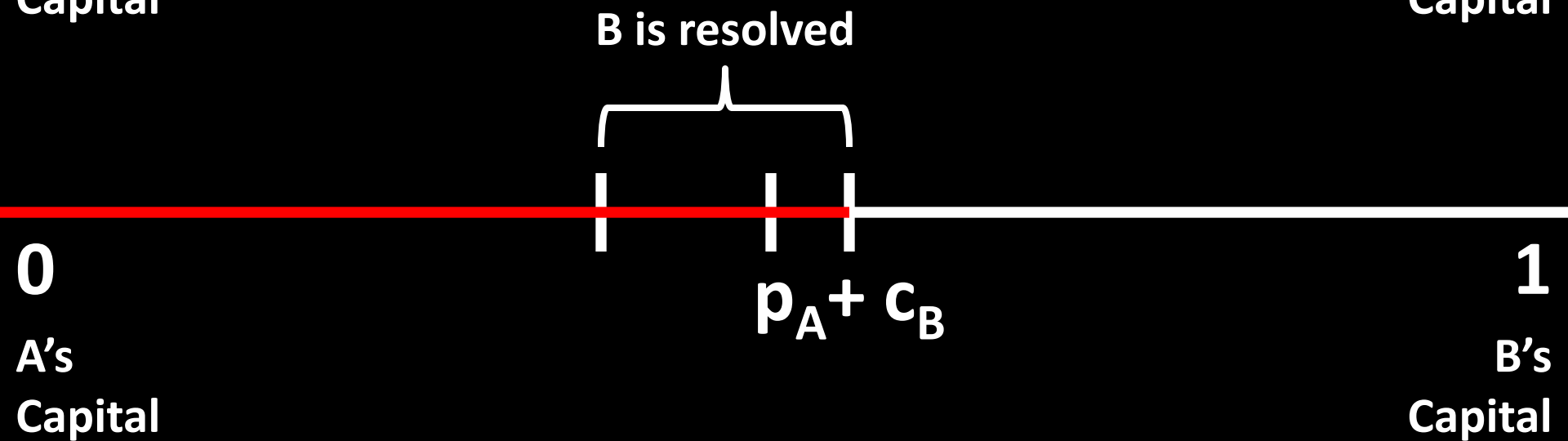
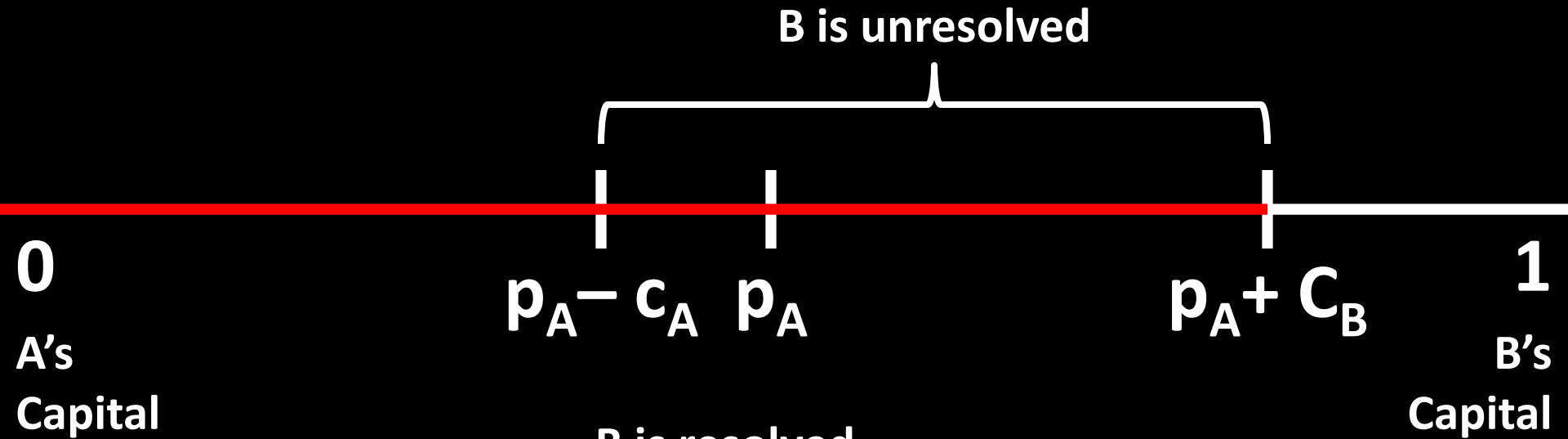


Two Reasons

1. Disagreement over who will win.
2. Uncertain resolve.
 - Suppose B is resolved or unresolved.







Incentives to Misrepresent

- If war is costly, why can't the states simply tell their opponents their demands and avoid the costs of war?

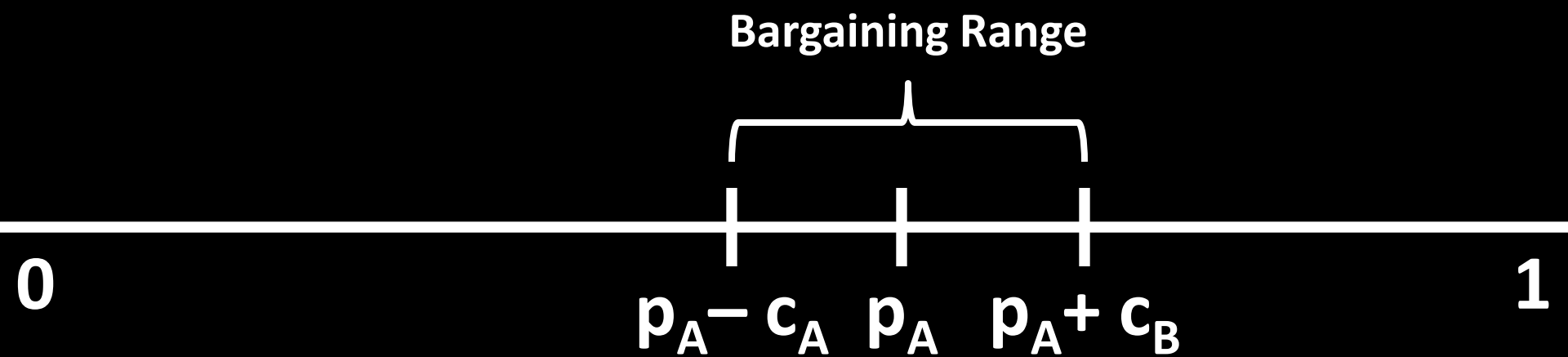
Incentives to Misrepresent

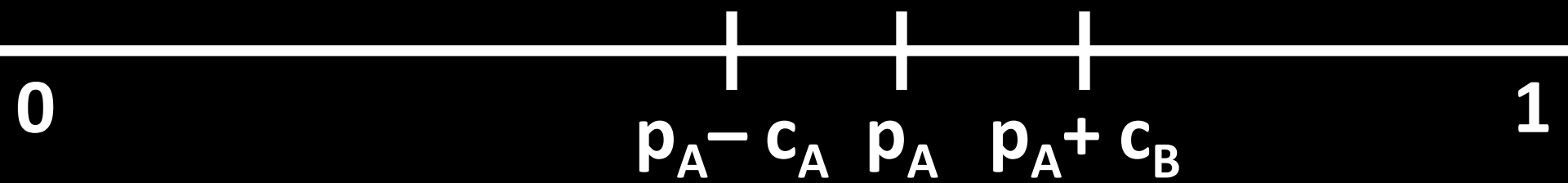
- If war is costly, why can't the states simply tell their opponents their demands and avoid the costs of war?
- When are such statements credible?
 - Weaker types would need to want to announce they are weak and strong types would need to want to announce they are strong.

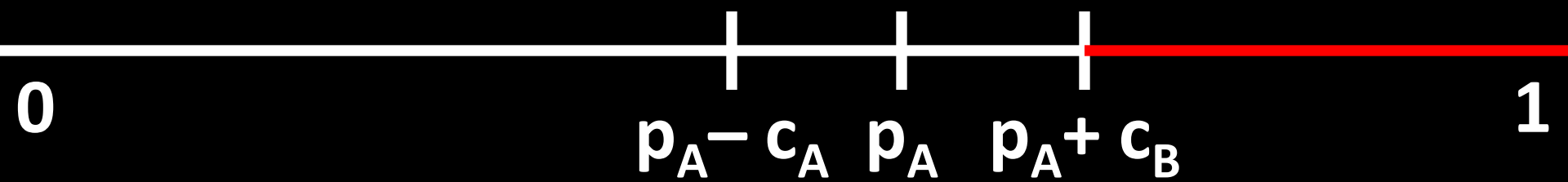
Outline

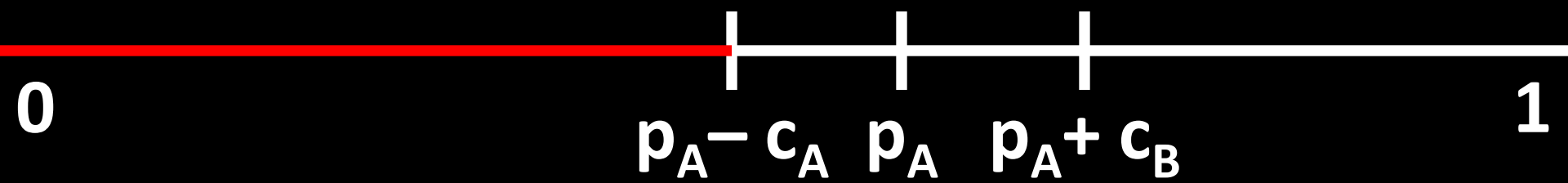
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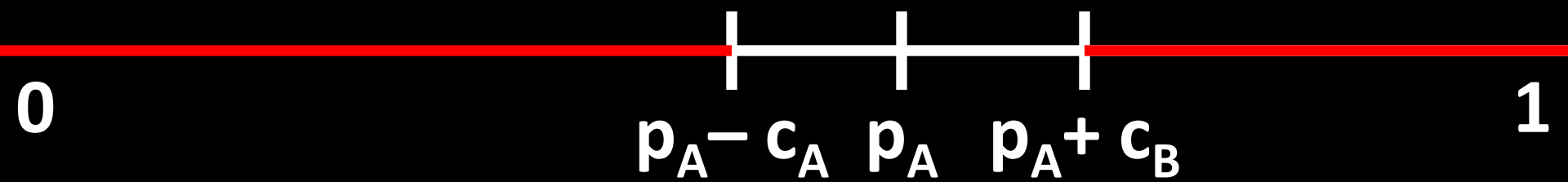
Big question: How can bargaining
indivisibilities lead to war?











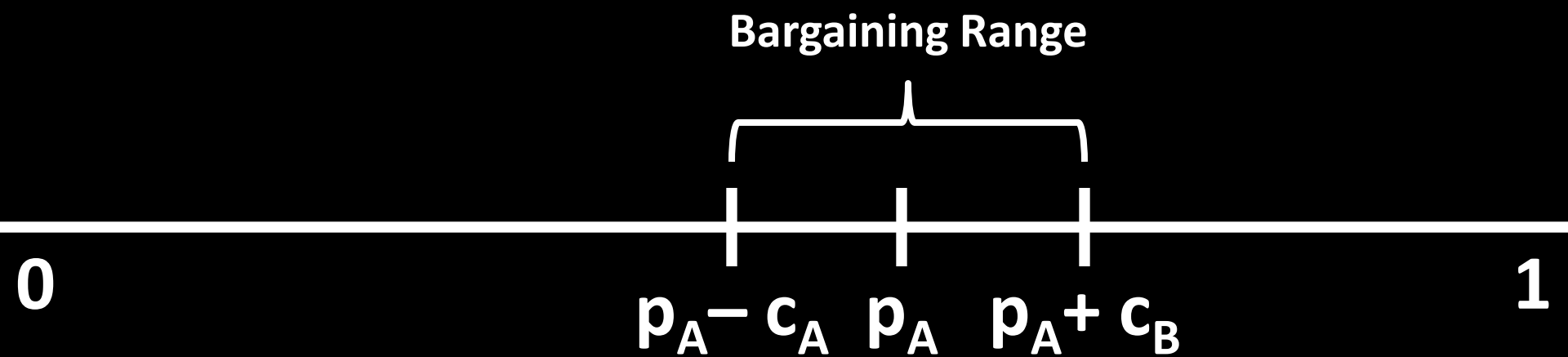
Side Payments

- Bargaining usually takes place on many dimensions.
- Why can't one state buy the island from the other?
 - U.S. and the Philippines
- War is only rational if value of the good is much larger than possible side payments.

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Big question: How do first strike advantages lead to war?



Building the Model

- The probability of victory remains constant regardless of who starts the war.
 - But first strike advantages exist: element of surprise, choice of where to fight.

Building the Model

- The probability of victory remains constant regardless of who starts the war.
 - But first strike advantages exist: element of surprise, choice of where to fight.
- Do first strike advantages lead to war?
 - Yes, if they are sufficiently large.

The Model

- Suppose the states must choose whether to preempt or bargain.
 - If both preempt or both bargain (and bargaining fails), A wins with probability p_A .
 - If A preempts but B bargains, the states fight, and A wins with probability $p_A + \Delta_A$. ($1 - p_A + \Delta_B$ if B preempts and A bargains.)

The Modeling Question

- Suppose x is the outcome of bargaining. Does there exist an x such that the states individually prefer the bargained outcome to preemption?

A's Dilemma

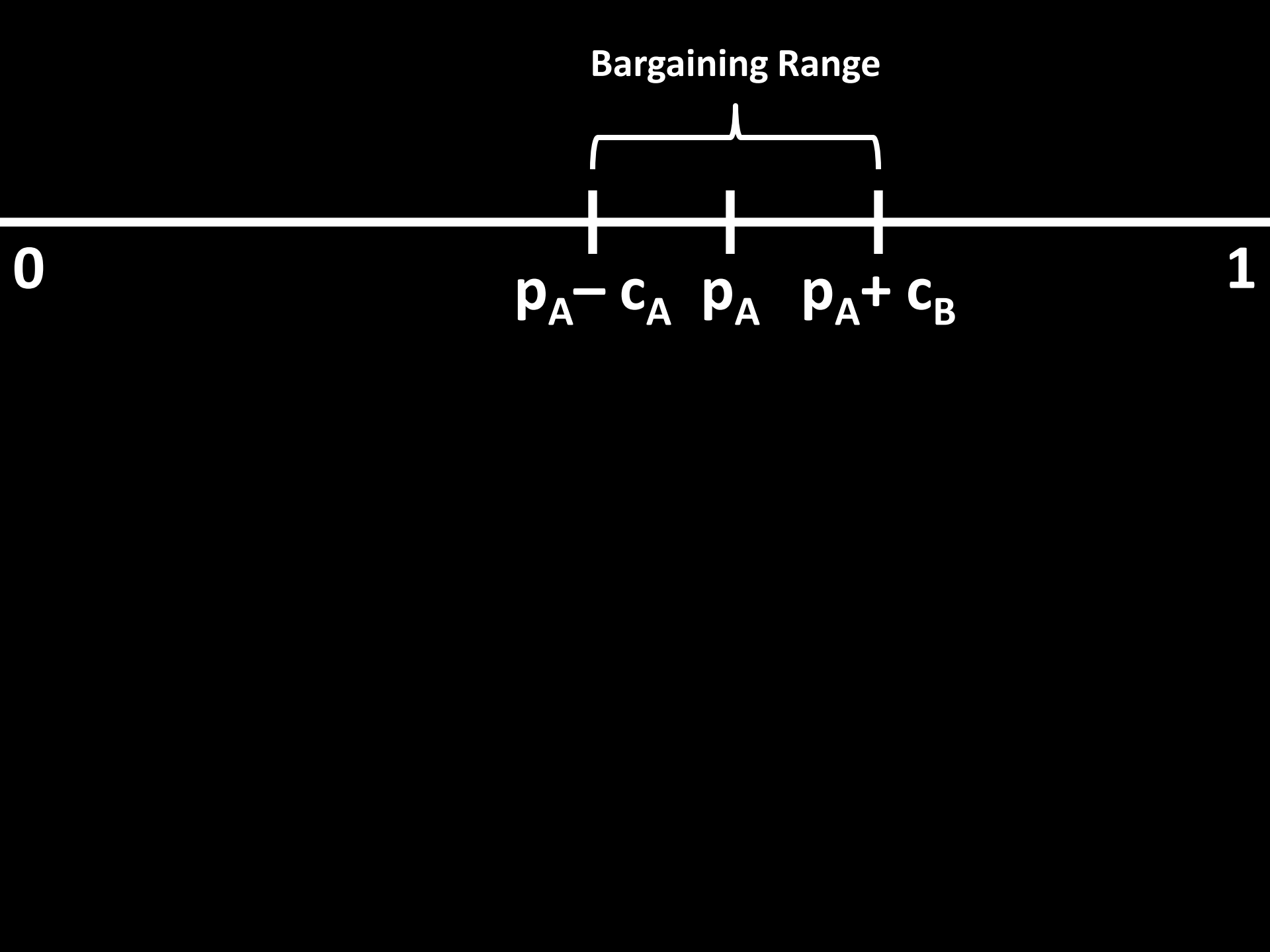
- Assume the other guy wants to bargain.
- $Eu(\text{preempt}) = p_A - c_A + \Delta_A$
- $Eu(\text{bargain}) = x$
- Bargaining acceptable if:
 - $x \geq p_A - c_A + \Delta_A$

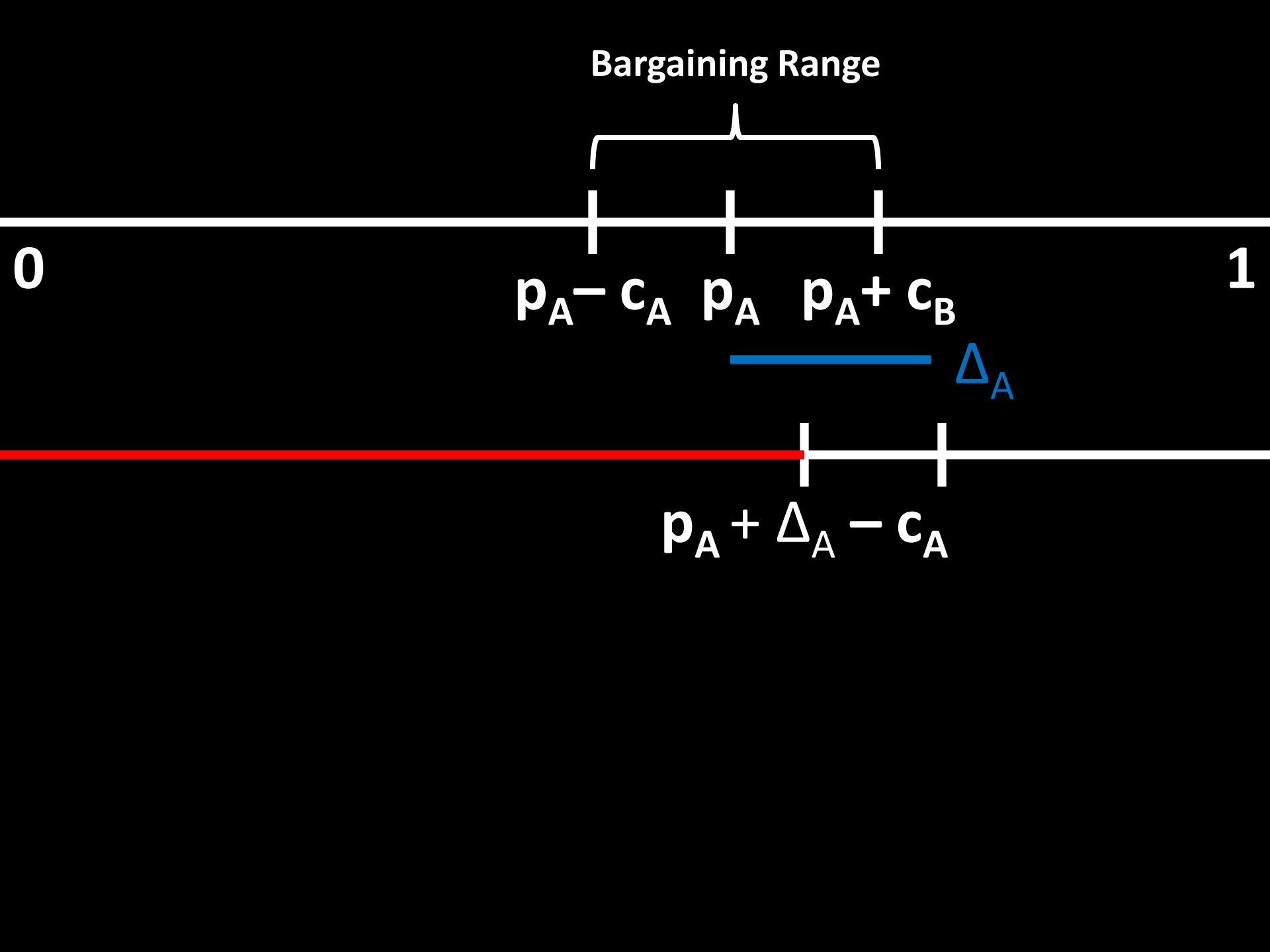
B's Dilemma

- Assume the other guy wants to bargain.
- $Eu(\text{preempt}) = 1 - p_A - c_B + \Delta_B$
- $Eu(\text{bargain}) = 1 - x$
- Bargaining acceptable if:
 - $1 - x \geq 1 - p_A - c_B + \Delta_B$
 - $x \leq p_A + c_B - \Delta_B$

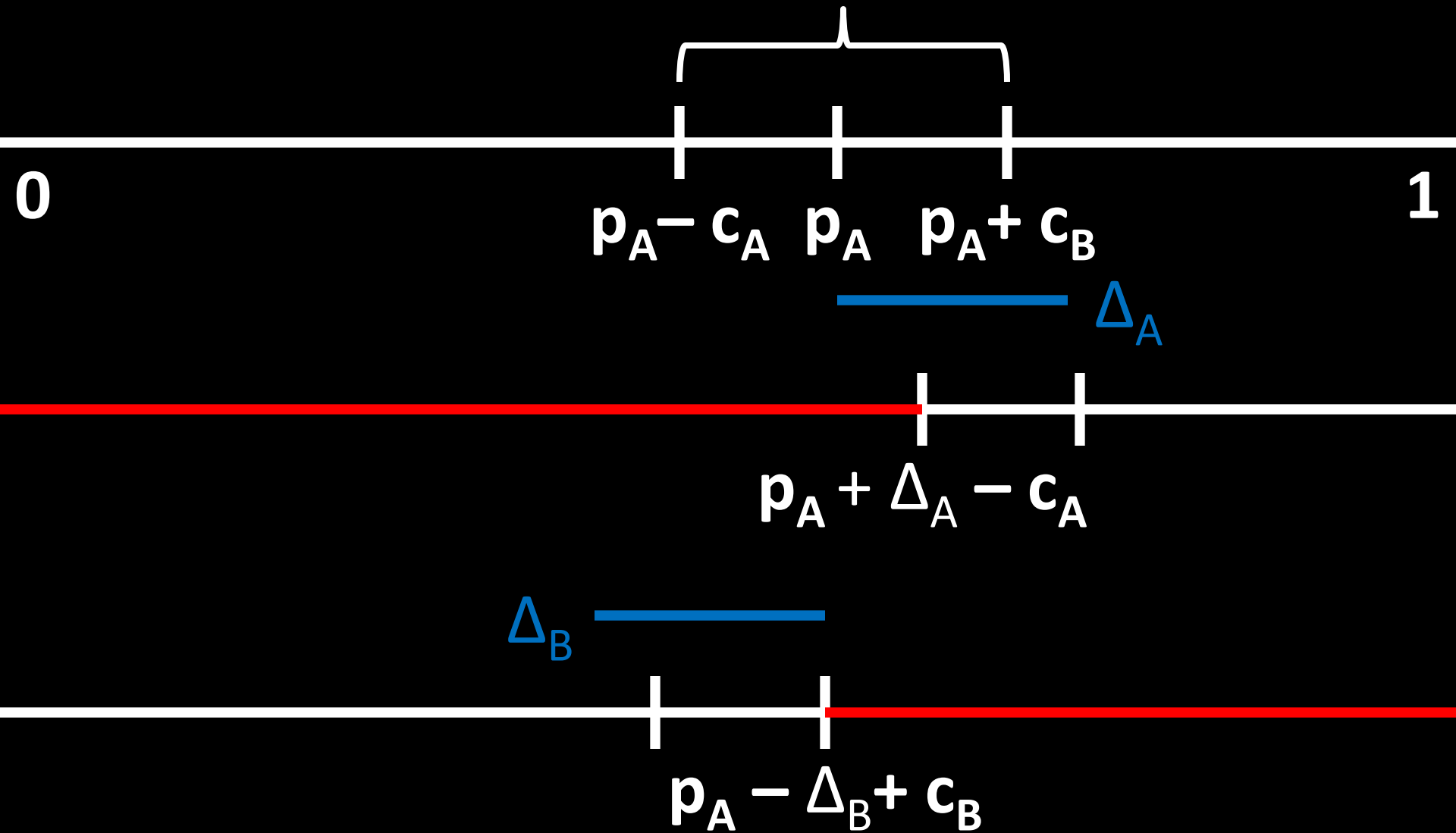
Mutually Acceptable Bargains?

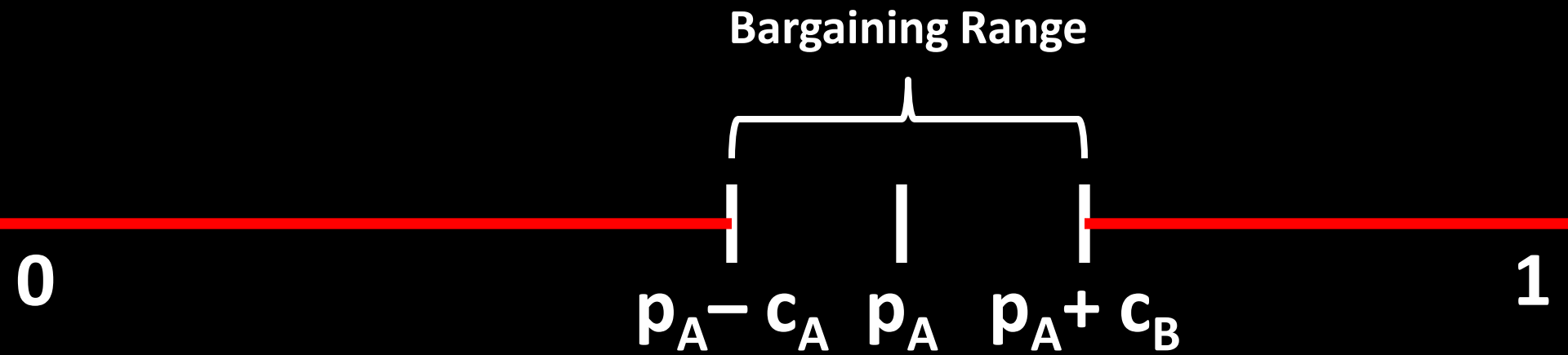
- $p_A - c_A + \Delta_A \leq x \leq p_A + c_B - \Delta_B$
- An x exists if:
 - $p_A - c_A + \Delta_A \leq p_A + c_B - \Delta_B$
 - $\Delta_A + \Delta_B \leq c_A + c_B$
 - That is, the first strike advantages are smaller than the costs of fighting.





Bargaining Range





Realistic?

- Wars tend to be really costly. Do first strike advantages really outweigh costs?

Realistic?

- Wars tend to be really costly. Do first strike advantages really outweigh costs?
 - Probably not.
 - But presence of any first strike advantage shrinks the bargaining range, making it easier for other rationalist explanations to cause problems.

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Why This Matters

- What caused the American Revolution?
- What caused the American Civil War?
- What caused World War I?

Why This Matters

- What caused the American Revolution?
 - Taxation without representation!
- What caused the American Civil War?
 - Slavery!
- What caused World War I?
 - Colonial ambitions!

Why Not Bargain?

- None of these explanations are sufficient for war.
 - They don't explain why the parties could not reach a mutually preferable bargain.
 - This is why peace prevailed up until the wars began.

Recipe for War

- We need two things for war:
 1. Grievance (taxation without representation, slavery, territorial ambitions, etc.)
 2. Bargaining problem (incomplete information, shifting power)
- With only one, we do not get conflict.
 - Your high school history classes were lacking here.

Understanding War

- Our research focuses on the bargaining problems, not grievances.
- There are only two(?) types of bargaining problems.
- There are too many types of grievances to count.

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Data on Power

- We measure data on power with CINC (Composite Indicator of National Capability) scores
- There are strengths and weaknesses
- You will learn more about these in the data analysis

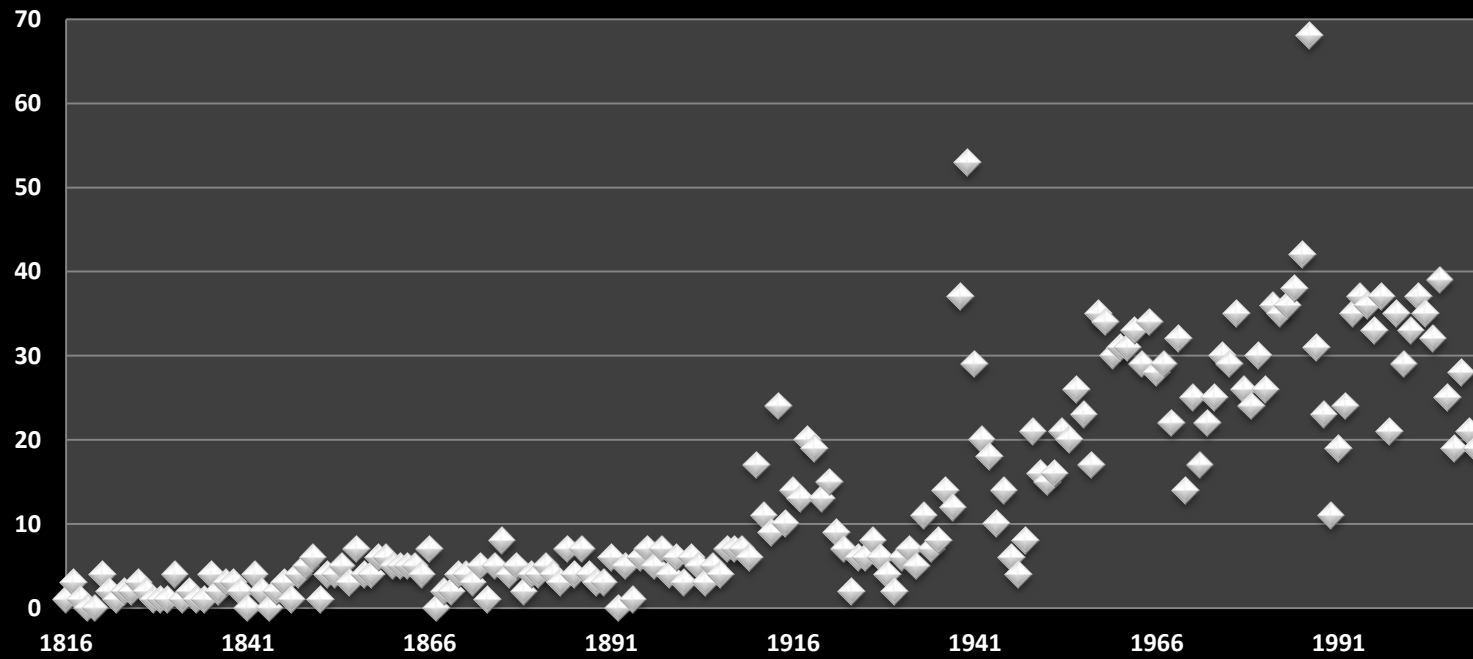
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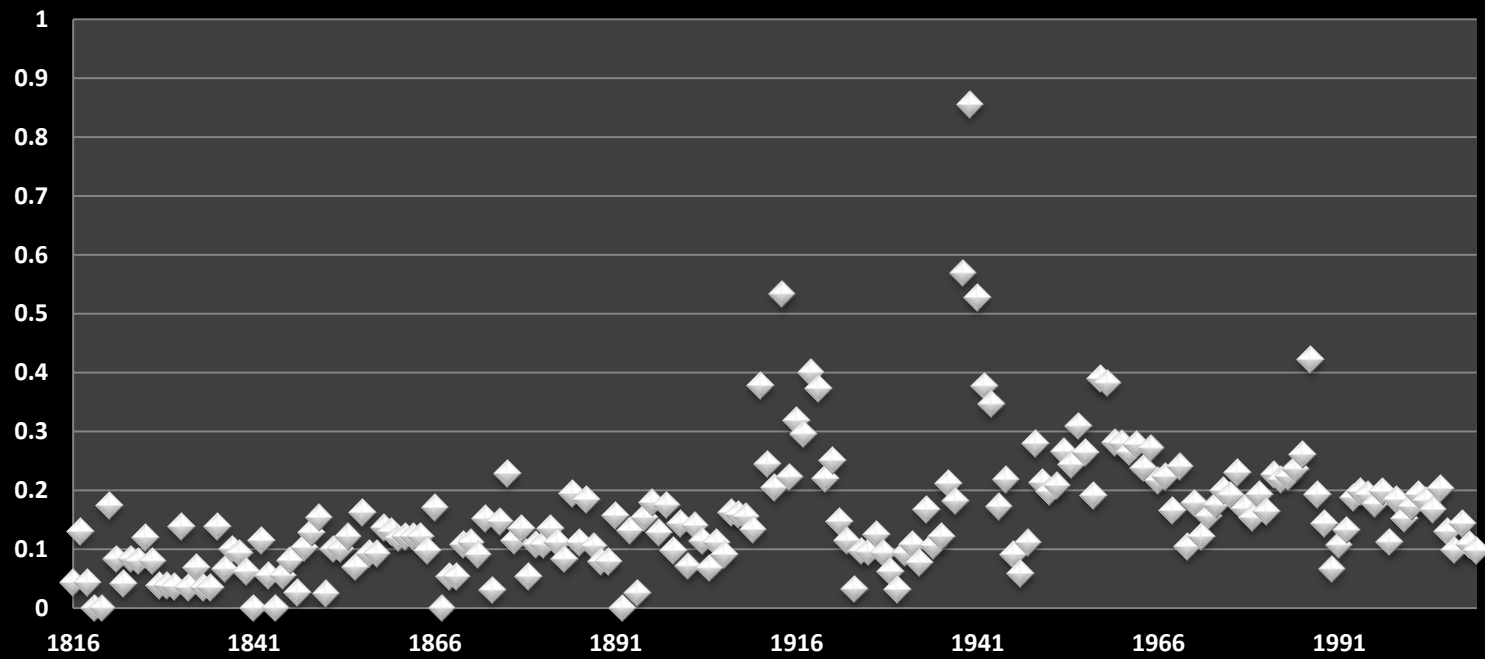
Militarized Interstate Disputes (MIDs)

- “cases of conflict in which the threat, display or use of military force short of war by one member state is explicitly directed towards the government, official representatives, official forces, property, or territory of another state”
- 1816-2010: 2586 (known) instances

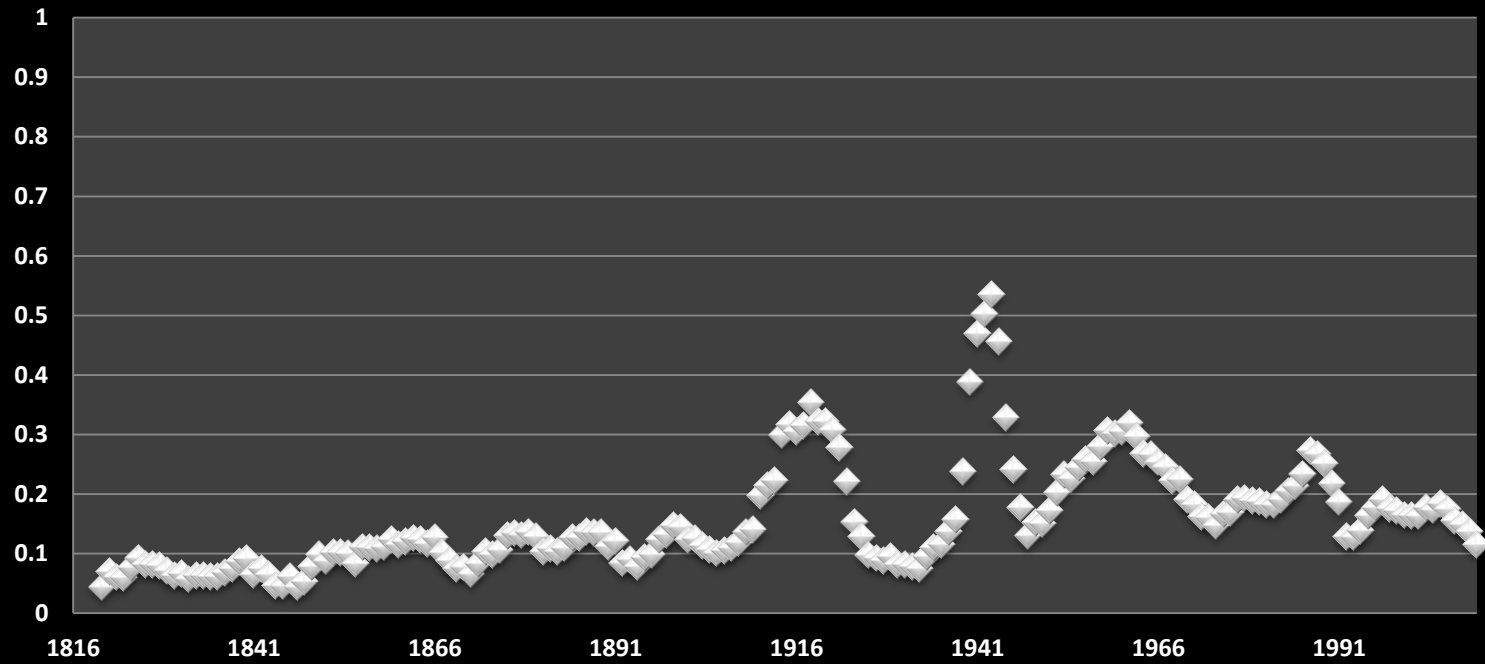
MIDs Per Year



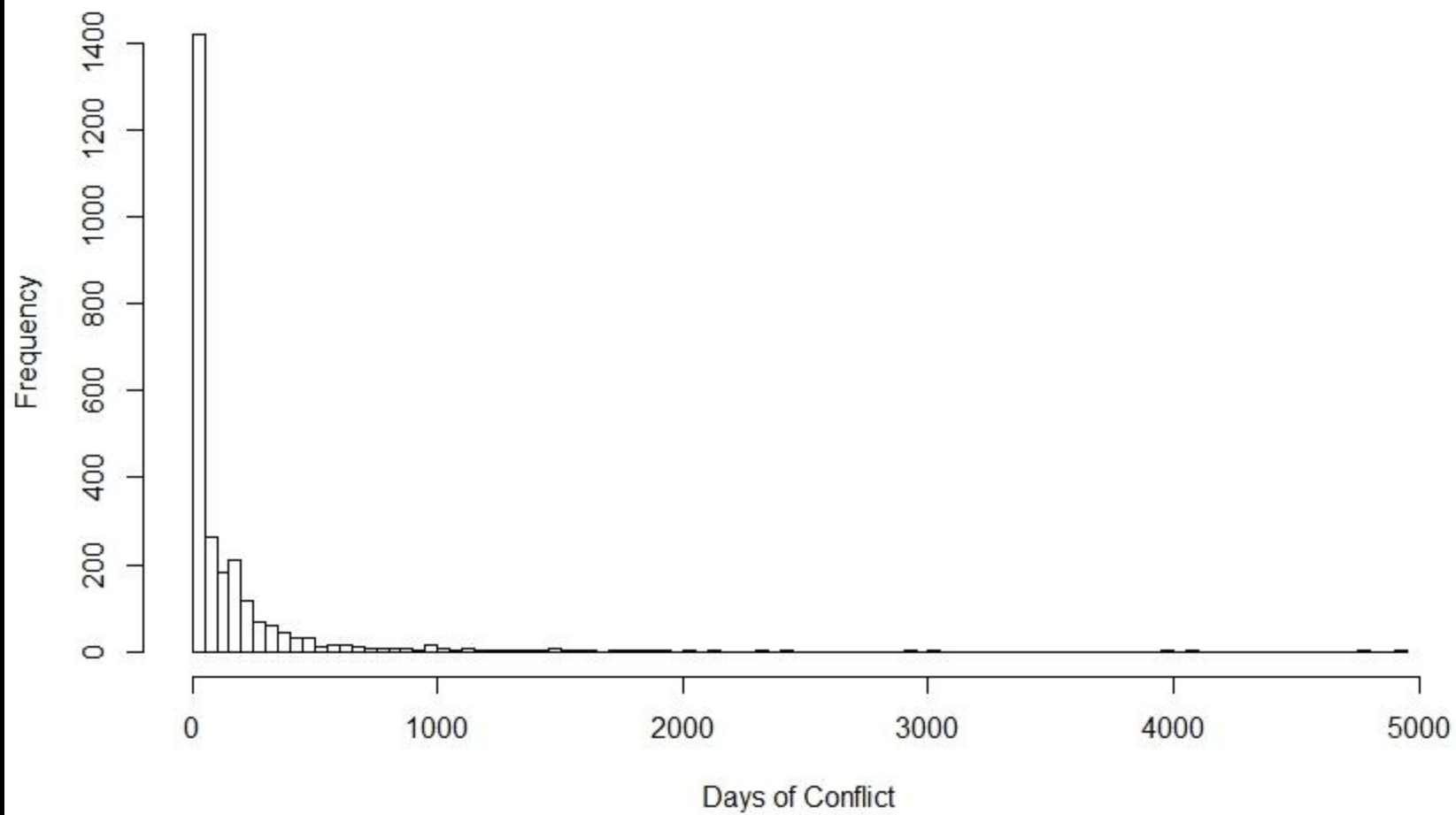
MIDs Per Year Per State



MIDs Per Year Per State (5 Year Avg)



Distribution of Conflict Lengths



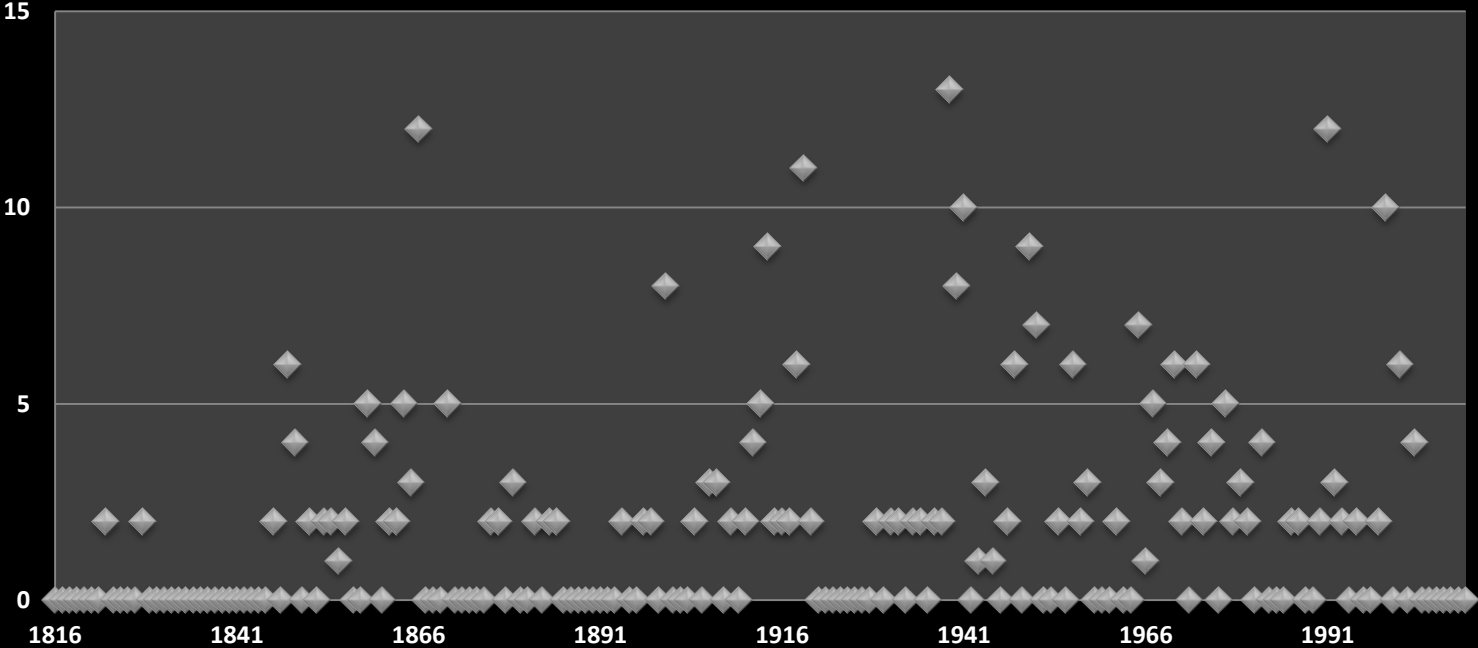
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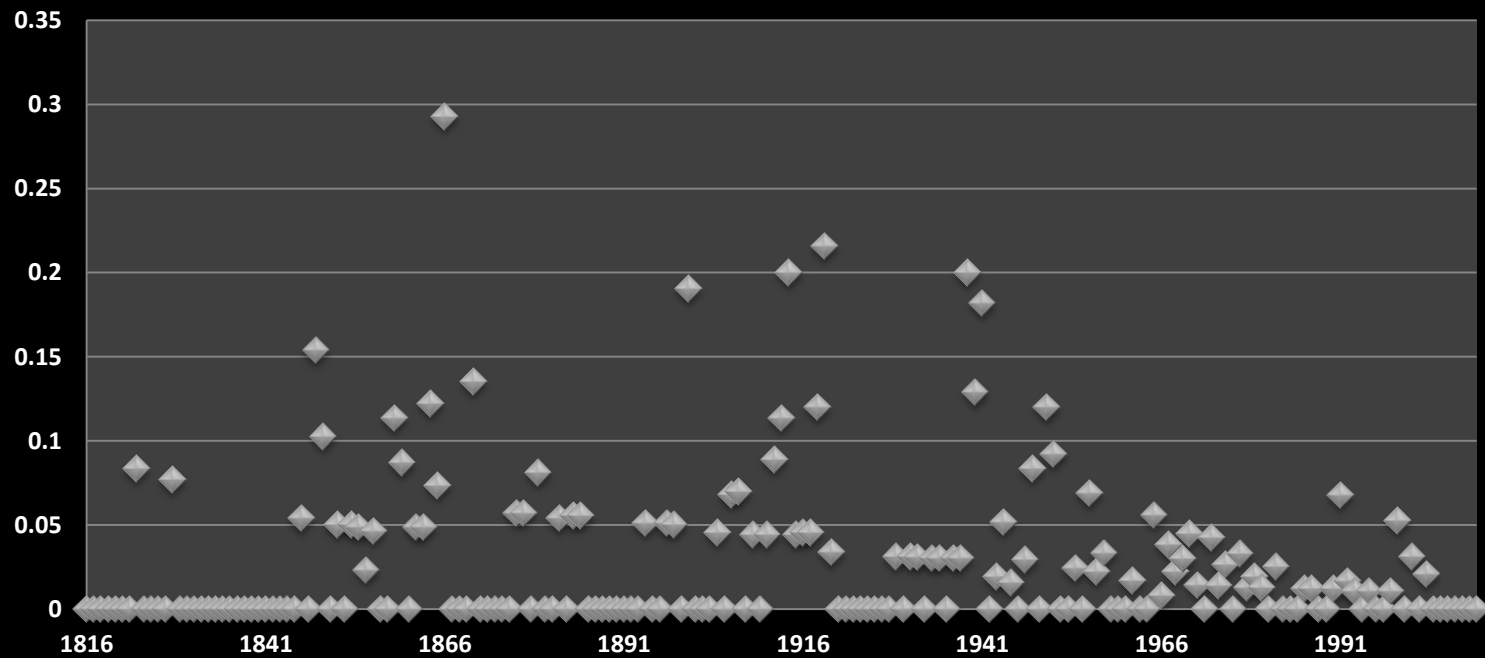
Correlates of War

- Sustained combat between regular armed forces of two states
- At least 1000 combat fatalities total
- Each side has at least 100 combat fatalities or at least 1000 armed forces

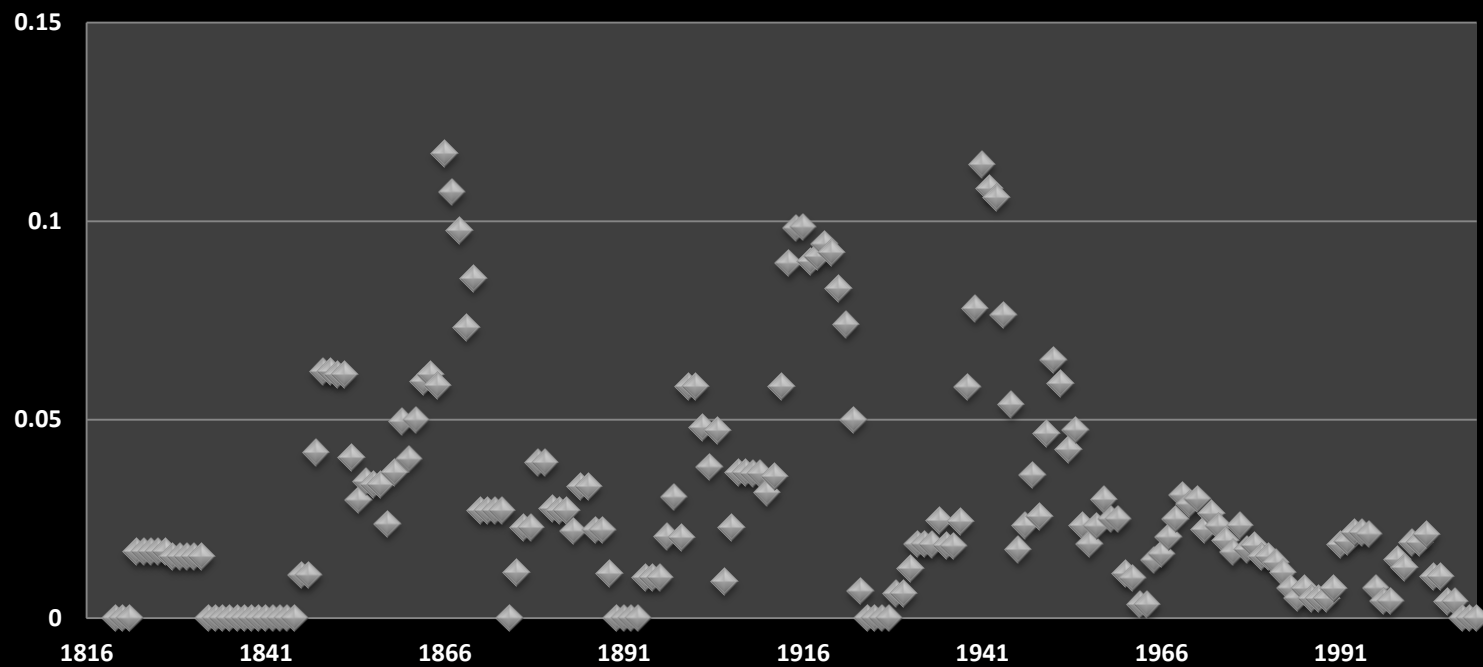
States Starting War Per Year



Portion of States Starting War



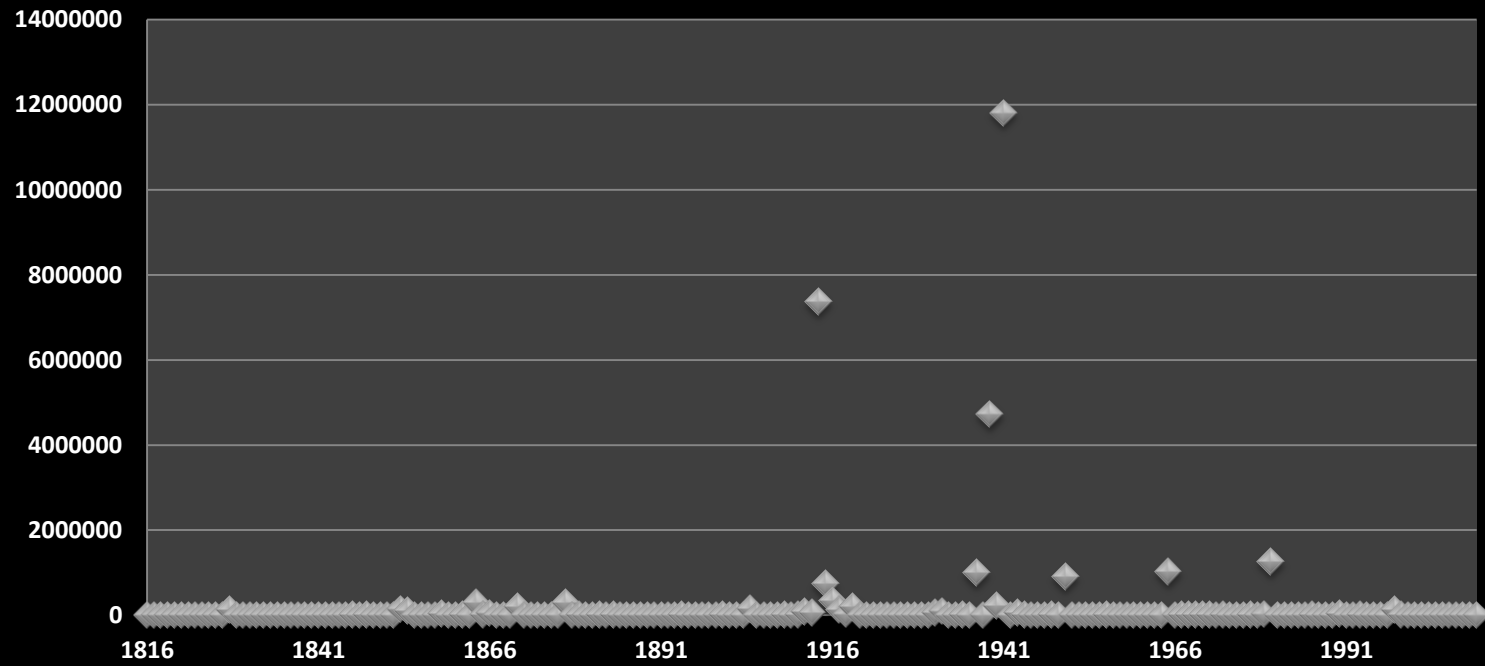
Portion of States Involved (5 Year Avg)



The Long Peace

- Wars have been trending downward following World War II.
- There have been 0 wars between major powers in that period.
 - Unclear if it is a product of chance.
 - Many theories assume that peace is growing more prevalent.

Battle Deaths Per Year



Battle Deaths Per Year (20 Year Avg)

