

GV103: Introduction to International Relations

Dr. Philip Arena

Information Problems

Introduction

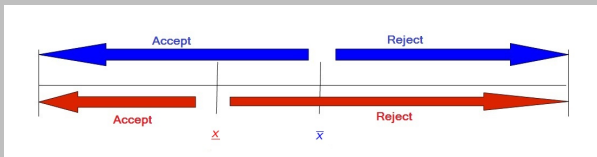
- Two goals for this lecture
 - Demonstrate that war can occur as a result of a **failed bet**
 - Discuss how this explains why there isn't less conflict

A Model of Bargaining While Facing Uncertainty

- Everything the same as in basic model, except
 - We now assume $w = \frac{e_C m_C}{e_C m_C + e_D m_D}$
 - And C does not know D 's marital effectiveness
 - Only knows $pr(e_D = \underline{e}_D) = \phi$ and $pr(e_D = \bar{e}_D) = 1 - \phi$
 - Which implies $pr(w = \underline{w}) = \phi$ and $pr(w = \bar{w}) = 1 - \phi$

D's Acceptance Rule

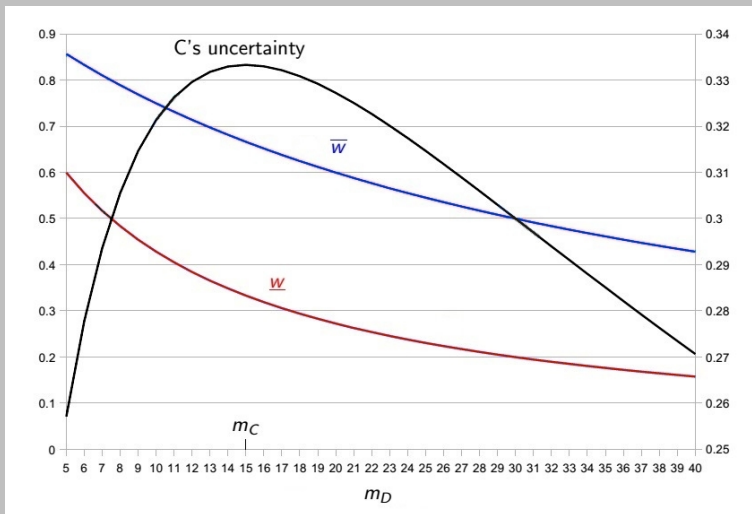
- Still true that D accepts iff $u_D(\text{peace}) \geq u_D(\text{war})$
 - Blue type accepts iff $x \leq \bar{x}$
 - Red type accepts iff $x \leq \underline{x}$
 - Where $\bar{x} \equiv \bar{w} + c_D$ and $\underline{x} \equiv \underline{w} + c_D$
- C can readily infer the following
 - $pr(D \text{ accepts}) = 1$ if $x \leq \underline{x}$
 - $pr(D \text{ accepts}) = \phi$ if $\underline{x} < x \leq \bar{x}$
 - $pr(D \text{ accepts}) = 0$ if $x > \bar{x}$



C's Choice of x

- When C sets $x = \underline{x}$
 - Good news: probability of war is zero
 - Bad news: possible that D would have accepted \bar{x}
- When C sets $x = \bar{x}$
 - Good news: if D accepts, C gets best **achievable** outcome
 - Bad news: risks war
- When does C prefer \underline{x} to \bar{x} ?
 - $u_C(x = \underline{x}) = \underline{x}$
 - $E(u_C(x = \bar{x})) = \phi\bar{x} + (1 - \phi)(\underline{w} - c_C)$
 - $u_C(x = \underline{x}) \geq E(u_C(x = \bar{x}))$ holds iff $\phi \leq \hat{\phi}$
 - Where $\hat{\phi} \equiv \frac{c_C + c_D}{\bar{w} - \underline{w} + c_C + c_D}$

Parity and Uncertainty



Historical Examples

- Adolf Hitler and estimates of Russian strength
- Azzam Pasha's comments to Abba Eban
- Dean Acheson's military defense perimeter
- Saddam Hussein's estimates of US casualty tolerance

Data

- Observations: all dyad-years from 1821 to 1913, 1946 to 2007
- y : outbreak of war w/ 2 states on opp sides
 - Taken from Correlates of War interstate war data
 - Excludes those who suffered <10% of fatalities on their side, unless that state fought alone for an extended period
- x s: Parity of Milcap, Total Cost
 - Parity of Milcap = $\frac{m_L}{m_L + m_H}$ where m_L is smaller m score
 - Total Cost based on energy consumption, distance

Results

	War
Parity	+*
Total Cost	-*