Bargaining over power: when do shifts in power lead to war?

A (very) Brief Summary of Thomas Chadfaux
Main Ideas
ARGUING AGAINST these “simplified” models:

> Once the balance of power has shifted from the declining to the rising state, any commitments become inherently non-credible (fear the rising state won’t stick to its slice of the pie)

> Rapid changes in relative power lead to inefficient conflicts

ARGUING FOR:

> To avoid war, rising states should offer concessions in negotiations that pertain to the cause and speed of their rapid increase in relative power

> Things that increase their relative power should be offered as objects of negotiation themselves (eg. a weapons program or withdrawing troops from the border)
Hypothesis

Shifts in power never lead to war when countries can negotiate over the determinants of their power. Need to create a model in which actors can bargain over power itself.

If war occurs, it is because negotiations over power are “impossible” or too costly.

Third parties, domestic politics, and problems of fungibility can increase the costs of such negotiations, and lead to war, even with complete information.

*Fungibility = the property of a good or commodity whose units are essentially interchangeable; the ability to use a good or commodity for something else (eg. using foreign aid in a different way intended by donors)
Notes

Author assumes COMPLETE INFORMATION to avoid adding mechanisms based on UNCERTAINTY (which often causes war, preventive war, preemptive war)

Extends the normal commitment problem model by adding the ability to negotiate over FUTURE bargaining power

Notes there are a number of extensions that can lead to war

Power transfers that avoid war all require certain conditions under which such negotiations over power are possible, and of the assumptions required for such a result to hold.
1. Commitment Problems
   a. Declining state prefers preventative war before rising state becomes strong enough to do what it wants
   b. Accept or reject offers with COMPLETE INFORMATION. Can compare accepted offer outcome and rejected offer outcome (war) by comparing payoffs and the cost of war
   c. States negotiate ONLY over final outcomes (benefits) when there is complete information

Solution Offered:

Use resources and capabilities that lead to future power as objects of negotiation.

By giving up capabilities now, the rising state changes the expected maximization problem in the next period, hence credibly committing to the agreement in the next period.
Proposition 1

(Commitment Problem)

Proposition 1 (Commitment Problem). Let $\alpha \equiv (1 + \delta_B)/(\delta_B)$ and $\beta \equiv (1 - \delta_B)/(\delta_B)$. The game described in this section has no peaceful SPE if

$$p(2) > \alpha p(1) + \beta c_B.$$  \hfill (2)

The shift in power described in Proposition 1 is the essence of the commitment problem described in the literature. Because the rising state cannot credibly commit to any large concession in the next period, the declining one prefers fighting now.
As for Proposition 1...

Solution Offered:

Use resources and capabilities that lead to future power as objects of negotiation.

By giving up capabilities now, the rising state changes the expected maximization problem in the next period, hence credibly committing to the agreement in the next period.
Proposition 2

Including resources as an object of negotiation: Resources defined as “military resources” and include military capabilities, distance to the border, etc.

These resources do not affect the payoff because they do not increase utility, and objects that do affect utility do not affect power.

Payoff is still the SAME: \[ U_i = u_i(x_i^1) + \delta_i u_i(x_i^2). \]

Commitment issues are avoided when transfers of capabilities are added into the bargaining process.

Proposition 2. All SPE are peaceful when players can negotiate over their relative power.
Examples of This Tactic Working:

IMMEDIATE THREATS

> Avoid preventative war by withdrawal of troops: French Prime Minister Viviani withdrew troops along the entire French-German border in 1914

> Ease commitment problems by limiting stocks or range of offensive weapons: The Cuban Missile Crisis, solved by the 1987 Nuclear Forces Treaty between the US and the USSR

LONG TERM THREATS - decrease rapid shifts in power and preventative war

> Limitation on naval armaments

> Sharing of territory to balance latent power
Why War Still Happens Anyways

1. Inability to Trade Capabilities
   a. Land is becoming less valuable, technology and knowledge > land
   b. Power originates from resolve, military training, morale, knowledge, experience which cannot be physically traded

2. Capabilities are not Perfectly Divisible
   a. Making too large of a concession, or an insufficient one

3. Hard to Negotiate over Fundamental Aspects of Power
   a. Rising State ble to gain more power in the long term even if it gives up concessions now
   b. Large territory means the ability to extract more raw materials and construct more factories

4. No Distinction between Capabilities and Benefits

5. More than 2 Players
   a. Giving up more in relation to another state, such as its neighbors

6. Domestic Constraints
   a. Political cost to leaders giving concessions...doesn’t look good to supporters for many reasons
Proposition 3

War occurs when states value the future differently. Declining state needs a large concession to compensate for loss in the future and ensure power tomorrow is still sufficiently large.

Proposition 3. Let $x_A^2(x^1) \equiv 1 - x_B^2(x^1)$, where $x_B^2(x^1) \equiv u_B^{-1}(1 - p(x^1) - c_B)$. There is no peaceful SPE if there exists no $x^1 \in [0,1]$ such that, for all $i \in \{A, B\}$,

$$u_i(x_i^1) + \delta_i u_i(x_i^2(x^1)) \geq [1 + \delta_i]p_i - c_i.$$  \hspace{1cm} (3)

But if the rising state has a high value of the demanded concession, it prefers to fight than to hand it over. This is when the rising state does not value the future as much as the declining one.
Conclusion

1. Concessions of capabilities solve the commitment problem, and hence that large and rapid changes in relative power in the dyad alone cannot be a sufficient explanation for war.

2. The conditions under which negotiations over capabilities might not be feasible. In particular, three main limitations stand out.
   a. States negotiate over objects that affect future power
   b. Rising state may find it too costly to reduce its power as a concession
   c. Domestic Politics can stand in the way of negotiations, such as credibility by changing leaders or domestic audiences value power over concessions