

CIFREM SEMINARS

Commitment and Conflict in Bilateral Bargaining

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2 PM - DISA seminar room

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Building on Crawford (1982), we study a model of bilateral bargaining in which negotiators can make binding commitments at a low positive cost c . Our primary solution concept is iterated strict dominance. If commitment attempts never fail, there are three solutions. In two solutions all the surplus goes to one player; in the third solution there is a high probability of conflict. If commitment attempts succeed with probability $q < 1$, the unique solution entails conflict with probability q^2 . When $c = 0$, analogous results hold if the requirement of iterated strict dominance is replaced by iterated weak dominance.