

# The use of conflict as a bargaining tool against unsophisticated opponents\*

Santiago Sánchez-Pagés<sup>†</sup>

## Abstract

In this paper we explore the role of conflict as an informational device by means of a simple bargaining model with one-sided incomplete information: Limited conflicts reveal information about the outcome of the all-out conflict (that ends the game) because the outcomes of both types of confrontations are driven by the relative strength of the parties. We limit the analysis to the case where the uninformed party can learn the information transmitted in the battlefield but not the one conveyed by offers. The game becomes then an optimal stopping problem where the informed party has to decide at each period whether to stop, by reaching an agreement or by invoking total conflict, or to keep fighting. We show that conflict is a double-edge sword: It may paradoxically open the door to agreement when the uninformed party is too optimistic. But confrontation also occurs when agreement is possible but the informed agent has incentives to improve her bargaining position by fighting.

*Keywords:* Relative strength, absolute conflict, battles, unsophisticated opponent, optimal stopping.

*JEL codes:* C78, D74, J52, N4.

---

\*This paper is the third chapter of my Ph.D. dissertation at Universitat Autònoma de Barcelona. I am very grateful to the kind guidance and intellectual stimula of my advisor, Clara Ponsati, who suggested me a model this paper borrows. I also want to thank the help and comments of Steven J. Brams, Aviad Heifetz, Xavier Jarque, Alastair Smith and the participants of the Meeting on Polarization and Conflict held in Barcelona on December 2002; I am especially grateful to Debraj Ray and Stergios Skaperdas for their thorough discussion there. All errors are of my entire responsibility.

<sup>†</sup>Edinburgh School of Economics, 50 George Square, EH8 9JY Edinburgh, United Kingdom.