“We Don’t Talk to Terrorists”: On The Rhetoric and Practice of Secret Negotiations

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Abstract

Political actors sometimes make public commitments not to negotiate with other actors whom they label as being beneath diplomacy. Interestingly, such commitments are sometimes made even as they are being broken. Why do actors sometimes publicly denounce adversaries with whom they intend to negotiate? What factors influence actors’ incentives to label adversaries in one way as opposed to another? What effect does such pre-negotiation rhetoric have on the prospects for successful negotiated settlements? This paper presents a novel game-theoretic model of conflict bargaining, in which actors can make public commitments not to negotiate before deciding whether to engage in secret negotiations with an adversary. We model such commitments as affecting actors’ audience costs; a decision to denounce an adversary increases an actor’s motivation to reach a successful negotiated settlement if negotiations are undertaken. Despite the fact that such a decision weakens an actor’s own bargaining power, we find in equilibrium that actors nonetheless sometimes choose publicly to denounce their counterpart. Under certain conditions, both actors agree to take part in negotiations only if such a denunciation has taken place. We present and interpret equilibrium behavior in our model, and discuss the implications of our results for future research.

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1 Introduction

In the summer of 1993, Israeli Prime Minister Yitzhak Rabin went on Israeli television and brushed aside the prospect of negotiations between himself and leaders of the Palestine Liberation Organization (PLO), saying "forget about it" (Israel Ministry of Foreign Affairs 1993). Rabin was reasserting the long-held official position of the Israeli government that, as Rabin himself had once put it, "the PLO is a terrorist organization with whom there is no point in even deluding ourselves into thinking we can negotiate" (Israel Ministry of Foreign Affairs 1985). But meanwhile, thousands of miles to the north in a century-old mansion in a forest in Norway, Israeli officials were secretly meeting with PLO leaders to negotiate the terms of a peace agreement that would come to be known as the Oslo Accords (Fischer 1993). Rabin was fully aware of these negotiations when he went on television, yet he continued to condemn the prospect of negotiations with the PLO even as they were being undertaken.

The apparent disconnect between Rabin's rhetoric and his government's behavior is intriguing, particularly since Rabin surely knew that these secret negotiations could not remain secret forever. Whether through chance discovery by the media, or through official announcement of an agreement should negotiations ultimately prove successful, it was clear that the talks in Norway would one day be made known to the world at large and to Israeli voters in particular. Given this, why continue to employ rhetoric that might make the government ultimately appear to have been irresolute or hypocritical?

This example illustrates a kind of strategic decision that has been understudied in the game-theoretic literature on bargaining and negotiations: how publicly to portray an adversary with whom the prospect of negotiations remains open. The historical record exhibits considerable variation in the rhetorical tactics employed by political actors. In some instances, the road to the bargaining table is made smoother by a calming of actors' rhetoric about one another. But in other instances, actors publicly denounce one another as being "beyond the pale" at the very moment that negotiations are secretly getting underway. What factors give rise to this variation in leaders' behavior? And, ultimately, what effect does pre-negotiation rhetoric have on the conduct of negotiations if they ultimately do take place?

Of course, no one model can aspire comprehensively to answer these questions, given the complexity and diversity of real-world conflict settings. Instead, we aim simply to offer a fresh perspective on these questions, using a novel game-theoretic model of the public rhetoric surrounding private negotiations. Our strategic framework suggests a novel causal mechanism through which actors may be motivated to engage in pre-negotiation rhetoric critical of their adversaries – or to refrain from employing such rhetoric.

In our model, actors decide whether or not to issue public "denunciations" of the idea of negotiating with their counterpart[1]; subsequently, actors then choose whether or not to enter into a process of secret negotiations with one another. Actors' decisions are not constrained to be publicly consistent, in the sense that (like Rabin) actors are free to denounce a counterpart with whom they nonetheless choose to negotiate.

Given intuitions from existing literature, it is natural to conceptualize such public denunciations as a form of pre-commitment. Specifically, we suppose that an actor's choice of a public "speech," along with her subsequent decision to participate (or not) in negotiations, affects the audience costs that she would experience in her relationship with her own domestic voters. In practice, such audience costs might be generated through any of several distinct mechanisms. Public rhetoric demonizing a counterpart might inflame voters'

[1]Because such denunciations commonly take on the form of a claim that the counterpart is in one way or another unfit for diplomacy, we use the language "denounce the idea of negotiations with the counterpart" and "denounce the counterpart" interchangeably.

passions, or transform voters' beliefs about the nature of that counterpart, in either case making negotiations a less palatable prospect for members of the public. Alternatively, any obvious inconsistency between a leader's words and her deeds might erode voter confidence in her honesty or in her steadfastness in pursuing the nation's interests. It is quite natural to suppose that rhetoric of this kind may have a different effect on the audience costs faced by a leader, depending on the ultimate outcome of any negotiations that do take place. For example, a leader who denounces a counterpart, but negotiates with him anyway, and then fails to achieve an agreement may pay a particularly harsh price for appearing irresolute, incompetent, or both. Consistent with this intuition, a key feature of our audience cost framework is that a decision to denounce one's counterpart makes failed negotiations relatively more costly for an actor.

We model secret negotiations as an open-ended bargaining process, but one which may be stochastically terminated at any stage in the event that the negotiations are prematurely discovered by the media. This feature of our model catalyzes a connection between actors' audience costs and expected bargaining outcomes. As noted above, an actor who has denounced her counterpart before engaging in negotiations has a greater stake in ensuring that these negotiations ultimately end in an agreement rather than in failure. But, an actor who is more fearful of stochastic termination will be less effective at extracting concessions from her counterpart while bargaining is still ongoing. As a result, a denunciation of one's counterpart actually weakens one's own bargaining position.

Given this account, it seems at first glance natural to suppose that leaders would be better off if they were to refrain from denouncing counterparts with whom they actually intend to negotiate – at least in the absence of other motivations that are external to our model.[2] Interestingly, however, this expectation is not always borne out in the equilibria of

[2]For example, leaders in certain political environments may of course have an incentive to denounce an

our model. Instead, we find that actors sometimes do choose to negotiate with counterparts whom they have chosen publicly to denounce.

This result stems from another key component of our framework: the endogeneity of actors' participation (or non-participation) in negotiations. In a setting where bilateral participation in negotiations could be taken as given, a decision to weaken one's own bargaining strength would clearly be counterproductive. However, in our model, actors decide whether or not to participate in negotiations. As an example, consider a setting in which one actor expects that she would gain a great deal from negotiations, compared to her position under the status quo, while a second actor expects that negotiations are not quite worth her while. In such a setting, the first actor might find highly valuable any mechanism through which she could credibly, but modestly, reduce her own bargaining power. This is the case because reduction in the first actor's bargaining power would increase the second actor's expected returns from taking part in negotiations – thereby potentially offering a pivotal contribution to the second actor's willingness to participate in negotiations at all. This basic logic is borne out in some of the equilibria of our model. Somewhat ironically, in our framework, it is the public denunciation of a counterpart as being an unfit "partner for peace" that can provide the necessary impetus for negotiations to get underway.

The remainder of the paper is organized as follows. Section 2 places our work in context by briefly describing related literature on bargaining and negotiations. Section 3 then introduces our model; we present and discuss equilibrium analyses derived from the model in Section 4. Section 5 contains two brief empirical illustrations that highlight the relevance of different facets of our theoretical model to historical cases. Section 6 discusses implications for future research, and concludes.

enemy if such a denunciation were to be politically popular in itself. We abstract away from such alternative motivations in order to lay bare the dynamics of our causal story.

2 The Extant Literature

A considerable literature explores the importance of audience costs in international relations. Schelling (1960) offered an early observation that representatives of nations can effectively use public statements as a form of self-commitment in international bargaining, remarking that leaders "seem often to create a bargaining position by public statements, statements calculated to arouse a public opinion that permits no concessions to be made." This intuition was formalized by Fearon (1994), who further predicted that the side better able to generate "audience costs" by making public threats would be less likely to back down in an international crisis. In the years since, a number of scholars have theoretically extended and empirically tested models of audience costs (Partell and Palmer 1999, Schultz 2001, Tomz 2007). Smith (1998) develops microfoundations for the idea of audience costs; in his model, voters remove leaders who renege on public commitments because such reneging is taken to be a sign of incompetence. Gusinger and Smith (2002) offer a further model in which leaders or nations can build a reputation for making honest or dishonest public commitments.

Of particular relevance to our work is Leventoğlu & Tarar (2005), in which players can make costly public commitments before engaging in negotiations as a means of extracting concessions from their opponent. In their model, making a public commitment is a dominant strategy for both sides, even though both sides would be better off if they could commit not to make such public statements. Leventoğlu and Tarar suggest that secret negotiations are the solution to this prisoner's dilemma.

Our work differs in a number of respects from existing models of pre-commitment and audience costs, including Leventoğlu and Tarar. One key difference in our framework is that when actors make "commitments," they are effectively announcing an intention *not* *to negotiate at all*; most of the existing literature focuses on commitments by leaders to bring home certain specific concessions from negotiations that are certain to take place. Indeed, in our model, actors' public commitments *reduce* rather than increase their own bargaining power, behavior that can be rationalized in our framework because negotiations are endogenously entered into as well as secret.

Substantively, a potentially fruitful area of application for our ideas is the study of terrorism and counterterrorism policy. A variety of authors have explored actors' commitments never to negotiate with actors they publicly label as "terrorists." Sandler, Tschirhart & Cauley (1983) show that "no-negotiation" policies are suboptimal unless terrorist groups are risk-seeking, while Lapan & Sandler (1988) argue that governments should not commit to no-negotiation strategies "except in a limited number of contrived cases" due to time inconsistency concerns. Clutterbuck (1993) advises that governments should "never say never" because certain scenarios necessitate concessions and it is best for a government to be open to negotiations. Tucker (1998) argues that, contrary to the conventional wisdom, governments that negotiate with terrorists and make concessions to them may not experience an increased level of terrorist violence. Sederberg (1995) argues that a regime's decision to negotiate with a terrorist group (or not) should depend upon certain structural factors, such as the size of the terrorists' base of support and the nature of the terrorists' goals. He also emphasizes that a regime must consider not only the direct costs of concessions, but also the political costs that may accrue to an actor who has been publicly observed to make concessions.

3 A Model of Secret Negotiations

We model an interaction between two actors, A and B. These actors can be thought of as the leaders of two political entities that are adversaries in an ongoing conflict. The interaction that we model unfolds over as many as three distinct stages. In the first stage, each actor chooses whether or not to make a public pronouncement denouncing the possibility of negotiating with their adversary. In the second stage, both actors decide whether or not they wish to begin a process of secret negotiations with their adversary. If both actors choose to engage in secret negotiations, a third (and final) stage follows, in which the actors bargain over potential settlements to the conflict; such negotiations take place under time pressure, stemming from the fact that the secret negotiations may be publicly revealed before a deal has been struck.

More specifically, in the first stage both actors simultaneously choose whether to make a public pronouncement denouncing the idea of negotiating with their counterpart (d, shorthand for *denounce*), or to refrain from making such a denouncement (dd, shorthand for *don't denounce*). Specifically, each actor i chooses a "speech" $s_i \in \{d, dd\}$, $i \in \{A, B\}$. The speeches that actors choose do not have an immediate effect on one another's payoffs – however, in a way to be described shortly, these speeches *do* affect actors' bargaining incentives, and may therefore affect actors' payoffs in the event that negotiations ultimately *do* take place. Each actor's choice s_i is commonly observed once both choices are made.

Next, in the second stage, both actors simultaneously decide whether they are willing to engage their counterpart in a process of secret negotiations (n, shorthand for *negotiations*), or whether they are not willing to engage in such secret negotiations (nn, shorthand for *no negotiations*). Specifically, each actor i makes a choice $g_i \in \{n, nn\}$, $i \in \{A, B\}$.

Whether or not play proceeds to a third and final stage depends on the choices made by actors during the second stage. Specifically, if *both* actors chose n in the second stage, then play continues and the third-stage process of secret negotiations begins. If, instead, at least one actor chose nn, then play ends, secret negotiations do not take place, and relations between the two actors remain at the status quo. The status quo situation is associated with some level of utility $SQ_i \geq 0$ for each actor $i \in \{A, B\}$.

If play advances to the secret negotiations stage, then both actors A and B engage in a bargaining process that may (or may not) extend over a number of different bargaining *rounds*, depending on the path of play. At the beginning of each bargaining round that takes place, the role of "proposer" is randomly allocated; specifically, at the beginning of any given bargaining round, A is drawn as the proposer with probability q, while B is drawn as the proposer with complementary probability $1 - q$. As such, q serves as a proxy for certain structural factors that may advantage one side relative to the other in the conduct of negotiations. The draw of a proposer at the beginning of any given bargaining round is independent of the draws in all previous rounds. An actor in the role of proposer must choose either to propose a division of a fixed sum of size π, or else to "pass" up her turn as proposer. If proposer i chooses to make a proposal in bargaining round t, we denote this proposal as $x_{i,t}$, where $x_{i,t}$ represents the share reserved for the proposer (i). A proposal $x_{i,t}$ implicitly offers an amount $\pi - x_{i,t}$ to the proposer's counterpart. A decision to "pass" corresponds to a failure to offer a proposal.

If a proposal is made in a given bargaining round, the proposer's counterpart must choose either to accept or to reject the division of π described by the proposal. If the proposal is accepted, then the secret negotiations stage and the game as a whole both come to an end, and the division described by the proposal is carried out. If, instead, the proposal is rejected – or if the proposer chose to "pass" – then the bargaining round comes to an end; subsequently, one of two things may happen. First, with probability p, the process of secret negotiations is discovered and made public by the media. We assume, in the aftermath of such an unexpected public revelation, that the bargaining process terminates and that the game ends without a negotiated settlement being reached. We refer to such an outcome as an *exogenous termination*. Second, with probability $1-p$, the process of secret negotiations is not discovered by the media, and the secret negotiations stage continues to a new bargaining round.

Finally, we specify actors' payoffs for the different potential outcomes of the game as a whole. Actors' payoffs are determined by two distinct factors.

First, actors' payoffs are affected by the ultimate state of relations between one another. If actors reach a negotiated settlement – that is, if a proposal is accepted during the secret negotiations stage – then actors receive utility corresponding to their bargaining share. We assume throughout that actors are risk neutral, and take a proposer i's utility from an accepted proposal simply to be x_i (and the counterpart's utility to be $\pi - x_i$). If actors do not reach a negotiated settlement – that is, if secret negotiations were never initiated, or if such negotiations were terminated before an agreement was reached – then actors instead receive utility reflecting their status quo positions, in the form of the relevant value of SQ_i. As such, the relative attractiveness of engaging in negotiations – and of particular proposals that may be offered – depend both on actors' valuations of the status quo situation as well as on the value π that is available to be divided in successful negotiations.

Second, actors' payoffs are also affected by the ultimate public response to any secret negotiations which have taken place, once these negotiations have been publicly revealed. We model this component of an actor's payoffs in terms of a political "cost" for engaging in secret negotiations that varies across two dimensions: whether or not the negotiations ultimately proved successful, and whether or not the actor had previously denounced the idea of negotiating with her counterpart. The notation we employ in representing this cost reflects both of these features; the cost to actor $i \in \{A, B\}$ for engaging in secret negotiations takes on one of the four values c_i^{S0}, c_i^{SD}, c_i^{F0}, and c_i^{FD}. The first element in each superscript indicates whether secret negotiations were *successful* (S) or *failed* (F); the second element in each superscript indicates whether actor i denounced (D) the idea of negotiations with their counterpart or did not issue such a denunciation (0). These costs may differ between actor A and actor B. We assume only that $c_i^{FD} - c_i^{SD} > c_i^{F0} - c_i^{S0} > 0$ for either actor $i \in \{A, B\}$. This assumption requires that the political cost to each actor for engaging in secret negotiations is higher when those negotiations *fail* than when they *succeed*. In addition, it requires that the higher cost associated with failed negotiations is relatively worse for an actor who has denounced her counterpart than for an actor who has not.

Intuitively, some members of an actor's public may construe that actor's act of denouncement as a binding policy promise. If those members of the public then subsequently learn that the government had, contrary to the face value of the denouncement, engaged in secret negotiations with the adversary, this might affect the government's perceived credibility through raising doubts about its honesty or about its steadfastness in implementing policy. However, it is reasonable to suppose that such an effect on public opinion would be relatively worse for failed than for successful secret negotiations. When secret negotiations are successful, members of the public may be willing to interpret a leader's decision to negotiate despite a denouncement in a more favorable light; the leader may have perceived an unforeseen opportunity, or learned something about the adversary that was contrary to the original grounds for the denouncement. The successful completion of secret negotiations may also signal competence on the leader's part. In contrast, when secret negotiations fail, the leader runs the risk of looking incompetent and disingenuous simultaneously. These intuitions suggest that any political costs of negotiating in spite of a denouncement would be heightened when the negotiations fail to achieve a settlement to the ongoing conflict.

As noted above, actors' utilities are independent of their first-stage "speech" choices if no process of secret negotiations takes place; the political "cost" of non-engagement in secret negotiations is effectively normalized to 0. We employ notation of the form $c_i^F \in \{c_i^{F0}, c_i^{FD}\}$ and $c_i^S \in \{c_i^{S0}, c_i^{SD}\}$ to refer generically to the cost paid by actor i upon the public revelation of failed and successful secret negotiations, respectively, without specific reference to the actor's speech choice; such notation is useful in analyzing behavior in subgames corresponding to the secret negotiations stage, in which c_i^F and c_i^S are fixed based on actors' earlier choices.

4 Theoretical Results

In this section, we derive a series of theoretical results. Throughout, our solution concept is subgame-perfect equilibrium in sequentially weakly-undominated strategies.

4.1 The Secret Negotiations Stage

In order to build intuition, we begin by separately analyzing behavior in all subgames corresponding to the secret negotiations stage. This initial analysis, which takes actors' speech choices s_A and s_B to be exogenous and fixed, demonstrates how secret negotiations would proceed if actors were to opt in to negotiations, given particular values of s_A and s_B. Discussion of actors' behavior in earlier stages – their speech choices, and their decisions regarding coming to the negotiating table – is reserved for Section 4.2.

The following Proposition characterizes equilibrium behavior under secret negotiations. Unsurprisingly, the nature of equilibrium behavior varies along with the parameters of the model. The statement of the Proposition in the main text refers to four "regions" – (0), (1), (2a), and (2b) – across which equilibrium behavior differs. These regions, formally defined in the Appendix, are illustrated in Figure 1 and described in the text that follows the Proposition.

Proposition 1. *Consider a game corresponding to the secret negotiations stage, with fixed speeches* s_A *and* s_B*. The equilibria of the game vary across four distinct regions, defined in the Appendix. In Region (0), no proposals that are made are accepted, and secret negotiations continue until they are exogenously terminated by public discovery. In Regions (1), (2a), and (2b), actor A makes a fixed proposal* x_A^* *at any decision node where she is chosen to make a proposal, and actor B makes a fixed proposal* x_B^* *at any decision node where she is chosen to make a proposal; these proposals are always accepted when they made. The values of* x_A^* *and* x_B^* *vary across these regions as follows:*

Region	x_A^*	x_B^*
(1)	$[\pi - SQ_B + (c_B^F - c_B^S)][1-(1-p)(1-q)]$ $+[SQ_A - (c_A^F - c_A^S)][(1-p)(1-q)]$	$[\pi - SQ_A + (c_A^F - c_A^S)][1-q(1-p)]$ $+[SQ_B - (c_B^F - c_B^S)][(1-p)q]$
(2a)	π	$\frac{p[\pi - SQ_A + (c_A^F - c_A^S)]}{1-(1-p)(1-q)}$
(2b)	$\frac{p[\pi - SQ_B + (c_B^F - c_B^S)]}{1-(1-p)q}$	π

Proof. *The proof and further details of actors' equilibrium strategies are contained in the appendix.*

Figure 1 offers a graphical depiction of the regions referred to in the Proposition. In Region (0), neither actor is willing to make an offer that is acceptable to the other; as a result, secret negotiations continue until they end, in failure, with public discovery. As Figure 1 indicates, this region corresponds to values of SQ_A and SQ_B that exceed certain thresholds; if one or both actors are sufficiently satisfied with their status quo position, they will prefer to let bargaining break down than to reach an agreement, even bearing in mind the larger audience costs associated with failed negotiations.

FIGURE 1 ABOUT HERE

In contrast, secret negotiations are successful in Regions (1), (2a), and (2b); in each of these regions, each actor has an equilibrium proposal that is acceptable to the other, and negotiations are successfully concluded within the first bargaining round. However, the mathematical relations describing these equilibrium proposals vary across the different regions. Within the interior of Region (1), both the equilibrium offers x_A^* and x_B^* fall strictly between 0 and π. As Figure 1 indicates, this region corresponds to values of SQ_A and SQ_B that do not diverge too much from one another. Within Region (2a), the equilibrium offer $x_A^* = \pi$, that is, if A is recognized as the proposer, her proposal allocates the entire bargaining sum to herself, while the equilibrium offer x_B^* falls strictly between 0 and π, so that the bargaining sum is divided non-degenerately between A and B if B is recognized as the proposer. As Figure 2 indicates, Region (2a) corresponds to situations in which SQ_A is sufficiently large relative to SQ_B. Finally, within Region (2b), the situation between A and B is reversed: $x_B^* = \pi$, while x_A^* allocates non-degenerate amounts to both actors. Region (2b) corresponds to situations in which SQ_B is sufficiently large relative to SQ_A.

This variation in equilibrium behavior across regions is consonant with the first of several noteworthy comparative statics associated with Proposition 1: an actor i's share from bargaining is (weakly) *increasing* in her own status quo payoff SQ_i and (weakly) *decreasing* in her counterpart's status quo payoff. Intuitively, consider the incentives of actors in the first bargaining round of secret negotiations. If secret negotiations do not succeed in this first round, it is possible that the media will discover them before a second round takes place, causing these negotiations exogenously to terminate in failure. Recall that, if negotiations fail, relations between actors revert to the status quo. This implies that the prospect of exogenous termination is less worrisome for an actor, the better her position under the status quo. As a result, in equilibrium, an actor can effectively demand more, and will be offered more by her counterpart, the higher her valuation of the status quo. Conversely, an actor can effectively demand more, and can expect to be offered more by her counterpart in equilibrium, the *lower* her *counterpart's* valuation of the status quo.

FIGURE 2 ABOUT HERE

This comparative static is illustrated in Figure 2, which plots x_A^* and x_B^* as a function of SQ_A, holding SQ_B fixed at a relatively low value (and holding all other parameters of the model fixed as well). x_A^* increases as SQ_A increases through Region (1), but then remains fixed at π beyond the border of Region (2a); thus, higher values of SQ_A are more advantageous to A as a proposer. Recalling the convention that x_B^* represents the share retained by B when B is the proposer, x_B^* decreases through Region (1) as well as through Region (2a), albeit at different rates. Bearing in mind that the proposer is selected stochastically in the model, A's expected share of the bargaining sum π is therefore strictly increasing in SQ_A through both of these two regions.

Another important comparative static reflects the influence of actors' potential audience costs on the bargaining outcomes they can expect to achieve in equilibrium. From the perspective of an actor i who has already entered into secret negotiations, the relevant quantity is $c_i^F - c_i^S$. i must ultimately pay audience cost c_i^S even if negotiations end in success; as such, c_i^S can be thought of as a sunk cost for i. The prospect of failed negotiations then can be thought of as threatening a further increase in audience costs, in an amount of $c_i^F - c_i^S$, to a total value of c_i^F.

The results of Proposition 1 indicate that an actor i's share from bargaining is (weakly) *decreasing* in her own value of $c_i^F - c_i^S$ – that is, the extent to which she would be further politically disadvantaged by experiencing failed (rather than successful) negotiations. In addition, an actor's share from bargaining is (weakly) *increasing* in her counterpart's value of $c^F - c^S$ – that is, the extent to which her counterpart would pay an additional audience cost if negotiations were to fail. The intuition behind these findings is also straightforward. In the model, once secret negotiations have begun, they are always revealed eventually. The only question is whether they are revealed at a point in time when a successful outcome is publicly disclosed, or by the media while negotiations are still ongoing, leading to exogenous termination. Given this, it is clear that an actor whose own value of $c^F - c^S$ is larger would find the exogenous termination of negotiations to be more troublesome. As a result, this actor's bargaining strength would be reduced; her counterpart, knowing that actor's costs for failed negotiations, could get away with demanding more and succeed in offering less.

This section has considered the secret negotiations stage in isolation. However, this last comparative static will have especially important implications for actors' choices of a speech, $s_i \in \{d, dd\}$, in the game as a whole. Recall that in our model $c_i^{FD} - c_i^{SD} > c_i^{F0} - c_i^{S0}$ for either actor $i \in \{A, B\}$. That is, a decision to denounce one's counterpart *increases* one's relative cost for failed negotiations, thereby *decreasing* one's own bargaining strength.

In the next section, we analyze equilibrium behavior in the game as a whole, addressing the question of why actors might sometimes find it in their interests intentionally to weaken their own bargaining power by denouncing a potential negotiating "partner."

4.2 The Game as a Whole

In the game as a whole, of course, actors choose endogenously whether or not to take part in secret negotiations. Each actor's decision must involve a comparison between the value of the actor's status quo position on the one hand, and the actor's expected utility from entering secret negotiations on the other hand. In evaluating the latter, both the actor's expected bargaining share as well as the audience costs she would suffer from negotiating with her adversary are relevant. We use notation of the form $u_i^{neg}(s_A, s_B)$ to represent actor i's expected utility from entering the secret negotiations stage, including both the benefits and costs of doing so. For example, $u_A^{neg}(d, dd)$ represents the expected utility from negotiations for A, if A were to denounce her counterpart while B did not. As an example, in a setting where bargaining would ultimately prove to be successful in equilibrium, it would be the case that $u_A^{neg}(d, dd) = -c_A^{SD} + qx_A^* + (1-q)(\pi - x_B^*)$.

Our central result, contained in the following Proposition, is posed in terms of values of u_A^{neg} and u_B^{neg}:

Proposition 2. *Equilibria exist in which secret negotiations take place, and in which equilibrium proposals are as given in Proposition 1. Specifically:*

(I) $\underline{(dd, dd)}$. *When* $SQ_A < u_A^{neg}(dd, dd)$ *and* $SQ_B < u_B^{neg}(dd, dd)$, *equilibria exist in which A and B both choose not to denounce (dd) their counterpart, and in which A and B subsequently both choose to negotiate (n).*

(II) $\underline{(dd, d)}$. *When* $u_A^{neg}(dd, dd) < SQ_A < u_A^{neg}(dd, d)$ *and* $SQ_B < u_B^{neg}(dd, d)$, *equilibria exist in which B denounces (d), but A does not denounce (dd), and in which A and B subsequently both choose to negotiate (n).*

(III) $\underline{(d, dd)}$. *When* $SQ_A < u_A^{neg}(d, dd)$ *and* $u_B^{neg}(dd, dd) < SQ_B < u_B^{neg}(d, dd)$, *equilibria exist in which A denounces (d), but B does not denounce (dd), and in which A and B subsequently both choose to negotiate (n).*

(IV) $\underline{(d, d)}$. *When* $u_A^{neg}(d, dd) < SQ_A < u_A^{neg}(d, d)$ *and* $u_B^{neg}(dd, d) < SQ_B < u_B^{neg}(d, d)$, *equilibria exist in which A and B both choose to denounce (d) their counterpart, and in* *which A and B subsequently both choose to negotiate (n).*

When none of the conditions for (I), (II), (III), or (IV) hold,[3] *equilibria exist in which secret negotiations do not take place. Under these circumstances, A and B are both indifferent between denouncing (d) and not denouncing (dd) their counterpart.*

Proof. *The proof is contained in the appendix.*

The Proposition establishes that secret negotiations may or may not take place, and that zero, one or both of the two actors may choose to denounce one another in equilibrium. We offer some intuition about the logic underlying each kind of equilibrium, and the conditions under which these different equilibria exist. Figure 3 offers support by providing some graphical depictions of equilibrium conditions.

* FIGURE 3 ABOUT HERE *

Recall from the previous section that actors' bargaining shares – and therefore the values of u_A^{neg} and u_B^{neg} – are themselves functions of SQ_A and SQ_B. As a result, the conditions in the Proposition offer an implicit rather than a fully explicit characterization. This dependence of both u_A^{neg} and u_B^{neg} on both SQ_A and SQ_B leads the boundaries in Figure 3 to be downward-sloping rather than vertical or horizontal. The four panels in Figure 3 each depict the values of SQ_A and SQ_B for which different equilibria exist, but under different circumstances. Each panel portrays a distinct value of q, the probability with which A is given proposal power, while all other parameters are held fixed across all four panels.

First, consider equilibrium (I), in which both A and B refrain from denouncing one another. As noted in the Proposition, the relevant conditions require that both SQ_A and SQ_B be sufficiently low relative to the benefits available from bargaining when $s_A = s_B = dd$.

[3]The boundaries of this region are specified more formally in the Appendix.

Correspondingly, equilibrium (I) appears in the lower left portion of each panel in Figure 3. Sufficiently low values of both SQ_A and SQ_B imply that both A and B are comparatively unsatisfied with the status quo, relative to the shares of the bargaining sum π that each could feasibly expect to obtain during negotiations. As a result, both actors are quite motivated to engage one another in secret negotiations. In such a setting, denouncing one's counterpart can only be counterproductive; given that negotiations are going to take place, such a denunciation only serves to weaken one's own bargaining position and increase one's own audience costs. As such, neither actor denounces the other in the context of this equilibrium.

The dynamics of equilibria (II) and (III) are quite different. In both cases, one of the two actors has a sufficiently low valuation of the status quo relative to the benefits available from bargaining that she would prefer to take part in secret negotiations even under the most unfavorable rhetorical circumstances: those in which she has weakened her own bargaining position by unilaterally denouncing her counterpart while that counterpart chose not to denounce her in return. However, in both cases, the second actor has a higher valuation of the status quo relative to the benefits available from bargaining. This higher valuation leads the second actor only to prefer entering negotiations under more favorable rhetorical circumstances. As a result, the second actor can be enticed to the negotiating table only if the first actor has credibly weakened her own bargaining position in advance. In equilibria (II) and (III), the first actor does so by denouncing the idea of negotiations with her counterpart, even as the second actor remains silent. This configuration of behavior strengthens the second actor's bargaining position sufficiently that she becomes willing to negotiate, thereby leaving both actors better off. This poses a stark contrast to the logic described above that underlies equilibrium (I). Here, the first actor *benefits* from weakening her own bargaining power, because in so doing she makes a pivotal contribution to the second actor's willingness to negotiate at all. In equilibrium (I), in contrast, negotiations were a foregone conclusion, and weakening one's own bargaining power would carry no such benefit.

The four panels of Figure 3 all depict settings in which $q \geq 0.5$. When $q = 0.5$, proposal power is equally allocated between the two actors, but A is favored more and more strongly as q increases across each successive panel. Of course, an increasingly unequal division of proposal power between the two actors increases A's expected utility from negotiations while decreasing B's. Here, equilibria of type (III) – in which A denounces her counterpart, but B does not – emerge only when the allocation of proposal power becomes sufficiently lopsided in A's favor. When this is the case, she is compelled to reduce her own bargaining power in order to make negotiations worthwhile for B.

Of course, equilibria of type (II) exist in the reverse circumstances: namely in settings where, given actors' bargaining strengths, B highly values the expected outcome of negotiations relative to her status quo position, while A is more ambivalent and must be "persuaded" to negotiate through B unilaterally weakening her bargaining position. Such settings are not pictured in Figure 3, but would be evident if, for example, lower values of q were pictured in the Figure. It is also clear from Proposition 2 that the conditions for equilibria of types (I), (II), and (III) are all mutually exclusive, so that the relevant equilibrium regions never overlap.

The dynamics of equilibrium (IV), in which both A and B denounce one another, are yet different. As indicated in the Proposition, this equilibrium exists under certain conditions when both actors are sometimes willing to engage in secret negotiations, but sometimes are not. That is, neither actor is willing to negotiate under the most unfavorable rhetorical circumstances: those in which the actor has weakened her own bargaining position by unilaterally denouncing her counterpart while that counterpart chose not to denounce her in return. However, both actors are willing to negotiate for some other speech histories. When this is the case, intuitively, an actor's best response to a counterpart's denunciation could well be to denounce that counterpart in turn – as such a response would be necessary to keep open the path to the negotiating table. Thus, as in equilibria (II) and (III), a denunciation of one's counterpart can, somewhat counterintuitively, help encourage that counterpart to take part in negotiations, because of the way in which actors' bargaining positions are affected by such rhetoric.

In Figure 3, equilibrium (IV) appears only in the first panel. Intuitively, the conditions for this equilibrium require both actors to have intermediate valuations of the status quo relative to expected bargaining gains. As such, factors that lead to significant imbalances in bargaining power – for example, an increase in q beyond a certain threshold – will tend to make the conditions impossible to fulfill, as one actor's expected bargaining gains significantly rise while the other's significantly falls. We note that, in panel (a), equilibrium (I) also exists over the full domain of equilibrium (IV)'s existence. However, under other conditions not pictured here, equilibrium (IV) can be the unique equilibrium of the game.

Finally, the last part of the Proposition notes that equilibria also exist in which secret negotiations do not take place. Such equilibria exist when SQ_A and SQ_B are sufficiently high, as is depicted in all four panels of Figure 3. Equilibria of this form could arise for a number of different reasons. In some settings, they may exist because one (or both) of the actors *never* could be induced to engage in negotiations, because her valuation of the status quo is sufficiently high relative to the bargaining outcomes that she feasibly could achieve. In other settings, they may exist because each of the actors is willing to engage in negotiations only under specific circumstances – that is, given specific histories from the first stage – and the fulfillment of each actor's "conditions" precludes the fulfillment of the other's.

* FIGURE 4 ABOUT HERE *

The regions depicted in Figure 3 are all geometrically quite simple; the boundaries between regions all consist of straight and parallel lines in the (SQ_A, SQ_B) space. One key reason that this is the case is that this Figure depicts equilibrium regions for a very low value of p, $p = 0.1$. Recall Figure 1, which depicted equilibrium regions for the secret negotiations stage. Regions (2a) and (2b) are smallest when the values α_A and α_B are largest; both of these quantities increase as p decreases. For sufficiently small values of p, Region (1) can be large enough that it characterizes bargaining outcomes for any history of speeches in the game as a whole. (That is, when p is small enough, the Region (1) formulas for x_A^* and x_B^* can be the relevant ones, no matter the choices made by A and B in the first stage.) Under such circumstances, it is very easy to demonstrate explicitly that the equilibrium conditions in Proposition 2 correspond to straight and parallel lines. However, for larger values of p, the Region (1) formulas may be relevant for some histories of first-period play, but not for others. At a substantive level, this complication undermines the simple linear relationships evident in Figure 3. As a counterpoint, Figure 4 offers a series of graphs displaying equilibrium conditions that is identical to that of Figure 3, except that $p = 0.7$ rather than $p = 0.1$. Many qualitative similarities are evident across the two figures, but the geometric patterns are far more complex. At a technical level, this complication makes a general, explicit characterization of the equilibrium conditions prohibitively difficult.

5 Empirical Illustrations

In this section, we present two brief historical illustrations that highlight the empirical relevance of different facets of our theoretical model. Of course, no abstract and relatively simple model can reflect every nuance of complicated historical cases. Rather, our objective here is very briefly to illustrate the existence of audience costs associated with participation in secret negotiations, as well as the idea that such audience costs can facilitate successful outcomes to negotiations.

5.1 The Oslo Accords

As we alluded to in the introduction, negotiating with the PLO was "one of Israel's most rigid political taboos." (Hedges 1993) During his first term in office, Prime Minister Yitzhak Rabin clearly stated that "we will never negotiate with the so-called PLO." (de Borchgrave & Axelbank 1975) Prime Minister Rabin made no effort to alter his rhetoric or the government's official position in the period leading up to the secret Oslo Accords negotiations with senior members of the PLO. Indeed, in July 1993, Israeli Government spokesmen "insisted that they had not softened their refusal to negotiate directly with the Tunis-based Palestinian group on the ground that it is a terrorist group committed to Israel's destruction." (Haberman 1993) Rabin would shortly pay an intense political cost for violating his commitment not to negotiate with the PLO. When the negotiations were made public, demonstrators took to the streets and opposition leader Benjamin Netanyahu called for a national election, threatening the survival of Rabin's government (*The Herald* 1993). But this political price is seen as having been necessary for successful negotiations to occur; by maintaining a high cost for engaging in negotiations, the Israeli government was able to lure the PLO leadership to the bargaining table (Yudelman 1993). Once negotiations were underway, such costs induced a considerable incentive to come to an agreement quickly and to keep the talks secret. As the New York Times Editorial Desk put it, "for Mr. Rabin, talking to Palestinians with PLO titles is a political and diplomatic gamble worth taking because it just might open some previously locked doors to peace."(NYT Editorial 1993)

5.2 The Egyptian/Israeli Peace Treaty

In early 1977, Egyptian President Anwar Sadat refused to negotiate with Israel, vowing that "as long as there is an Israeli soldier on my land I am not ready to contact anyone in Israel at all." (*Time* 1978) Diplomacy was so inconceivable that Egyptian representatives refused even to exchange greetings with Israeli representatives at international conferences. In public, Sadat exerted great effort to make it clear that negotiations to end the ongoing state of war between Israel and Egypt were out of the question. But privately, Sadat had been "secretly mulling over the idea [of a negotiated peace] for some months." (*Time* 1978) The difference between Sadat's public rhetoric and private intentions was so striking that when Sadat suddenly changed course and offered to fly to Israel to discuss peace it surprised even his wife. But by bearing this cost, he actually helped facilitate Israel's path towards engagement in serious negotiations. The Israelis "knew that [Sadat] had called on them for a creative response. They knew also the risks he had taken, risks that would lead, if not to peace, then very possibly to war. If Sadat did not succeed, he would lose all credibility within the Arab world." (*Time* 1978) This last sentence, in particular, reflects the structure of audience costs in our model. The political costs that Sadat faced for even talking to Israel put enormous pressure on the Israeli government to ensure that the negotiations were successful. The resulting talks did produce an agreement, the Camp David Accords, which have sustained peace (albeit a "cold peace") between the two countries for decades (Schmidt 1991). Ultimately, of course, Sadat would pay the ultimate audience cost for his unexpected decision to negotiate with Israel: in 1981, he was assassinated by a group of soldiers who opposed his participation in the peace talks (Abdelhadi 2006).

6 Conclusion

Why do actors sometimes publicly denounce adversaries with whom they intend to negotiate? What factors influence actors' incentives to label adversaries in one way as opposed to another? Finally, what effect does such pre-negotiation rhetoric have on the prospects for successful negotiated settlements?

Using a novel game-theoretic model of conflict bargaining, this paper has offered a fresh perspective on these questions. In the equilibria of our model, we find that actors may or may not choose to denounce one another in advance of secret negotiations. In our framework, rhetoric of this kind affects actors' audience costs, and through this, the specific outcomes actors could expect to achieve during secret negotiations. An actor who makes a public commitment not to negotiate with a counterpart it considers to be beneath diplomacy, but who then subsequently does so, is especially motivated to ensure that negotiations do not fail. This motivation, naturally, reduces her own bargaining power. Yet, under certain conditions that we describe, an actor finds it in her own best interests to reduce her own bargaining power in this way, if in so doing she makes a pivotal contribution to her counterpart's willingness to negotiate at all. In this way, somewhat ironically, harsh pu blic rhetoric can help smooth the way to successful settlements during secret negotiations.

Of course, we do not claim that this specific mechanism underlies all public commitments not to negotiate with a counterpart. Instead, we explicate the game-theoretic logic behind one novel mechanism that may be relevant to some empirical cases. From a broader perspective, our work extends the game-theoretic literature on audience costs and negotiations by describing the logic of a setting in which actors freely choose to weaken their own bargaining position in equilibrium. More generally still, our framework offers a fresh perspective on the potential connections between political rhetoric and political outcomes in settings of conflict. We are hopeful that extensions of our work may allow us to explore further the strategic logic of labeling one's enemies in a variety of conflict contexts, particularly in the context of counterterrorism policy. Under what circumstances do actors choose to label counterparts as "terrorist" organizations – and under what circumstances do they refrain from doing so? As a prescriptive matter, when are actors' strategic interests actually best served by employing such labels? The answers to these questions, and many others, must await further research.

7 Appendix: Proofs.

Parameter Regions in Proposition 1.

Region (1): $c_B^F - c_B^S - (\pi + c_A^F - c_A^S)\frac{(1-p)(1-q)}{1-(1-p)(1-q)} + SQ_A\frac{(1-p)(1-q)}{1-(1-p)(1-q)} < SQ_B < \pi + c_B^F - c_B^S - (c_A^F - c_A^S)\frac{1-q(1-p)}{q(1-p)} + SQ_A\frac{1-q(1-p)}{q(1-p)}$ and $SQ_A + SQ_B \leq \pi + c_B^F - c_B^S + c_A^F - c_A^S$.

Region (2a): $SQ_B \leq c_B^F - c_B^S - (\pi + c_A^F - c_A^S)\frac{(1-p)(1-q)}{1-(1-p)(1-q)} + SQ_A\frac{(1-p)(1-q)}{1-(1-p)(1-q)}$ and $SQ_A \leq \pi + c_A^F - c_A^S$.

Region (2b): $\pi + c_B^F - c_B^S - (c_A^F - c_A^S)\frac{1-q(1-p)}{q(1-p)} + SQ_A\frac{1-q(1-p)}{q(1-p)} \leq SQ_B \leq \pi + c_B^F - c_B^S$.

Region (0): Any points satisfying $SQ_A + SQ_B > \pi + c_B^F - c_B^S + c_A^F - c_A^S$ or $SQ_A > \pi + c_A^F - c_A^S$ or $SQ_B > \pi + c_B^F - c_B^S$.

Proof of Proposition 1. We demonstrate the existence of equilibria in which actor A (B) makes the same offer x_A^* (x_B^*) at each of the decision nodes at which she has proposal power, and in which A (B) accepts all proposals with values no greater than x_B^* (x_A^*) but rejects all proposals with greater values. The argument is divided across four cases, corresponding to the regions defined above; in each case, we posit the existence of an equilibrium of this form, and then use the one-shot deviation principle to derive the conditions under which existence obtains. The uniqueness of the equilibrium result within the bounds of each case is guaranteed by standard arguments (e.g., Muthoo 1999).

Case 1: $x_A^* \in (0, \pi)$ and $x_B^* \in (0, \pi)$. We begin by considering the incentives of A and B to accept or reject offers in the context of an equilibrium of the form described above. Given an equilibrium offer x_A^* at some arbitrary decision node, B receives payoff $\pi - x_A^* - c_B^S$ from accepting the offer; a one-shot deviation to rejection of the offer instead yields continuation value $p(SQ_B - c_B^F) + (1-p)(q(\pi - x_A^*) + (1-q)x_B^* - c_B^S)$. Similarly, A receives payoff $\pi - x_B^* - c_A^S$ from accepting offer x_B^* but continuation value $p(SQ_A - c_A^F) + (1-p)(qx_A^* + (1-q)(\pi - x_B^*) - c_A^S)$ from a one-shot deviation to rejection. Clearly in an equilibrium of this form, the first quantity must be at least as great as the second for each of these two actors. We next consider the incentives of A and B to make the offers x_A^* and x_B^*, respectively. We note first that, if A is willing to make an acceptable offer in equilibrium, it must satisfy $\pi - x_A^* - c_B^S = p(SQ_B - c_B^F) + (1-p)(q(\pi - x_A^*) + (1-q)x_B^* - c_B^S)$; an offer involving any smaller value x_A^* would be a dominated action for A. A parallel expression, $\pi - x_B^* - c_A^S = p(SQ_A - c_A^F) + (1-p)(qx_A^* + (1-q)(\pi - x_B^*) - c_A^S)$, is obtained by considering B's incentives to make the offer x_B^*. These conditions form a system of simultaneous equations, the unique solutions to which are $x_A^* = \{\pi - (SQ_B + c_B^S - c_B^F)\}\{1 - (1-p)(1-q)\} + (SQ_A + c_A^S - c_A^F)\{(1-p)(1-q)\}$ and $x_B^* = \{\pi - (SQ_A + c_A^S - c_A^F)\}\{1 - q(1-p)\} + (SQ_B + c_B^S - c_B^F)\{(1-p)q\}$. A is willing to offer such x_A^* if the utility to her from doing so exceeds the continuation value she would receive from a one-shot deviation to passing or to making an unacceptable offer. An offer of x_A^* by A is accepted and yields utility $x_A^* - c_A^S$ to A; a one-shot deviation to passing or to an unacceptable offer yields continuation value $p(SQ_A - c_A^F) + (1-p)(qx_A^* + (1-q)(\pi -$

$x_B^*) - c_A^S)$. She therefore has no incentive to make such a one-shot deviation so long as $x_A^* - c_A^S \geq p(SQ_A - c_A^F) + (1-p)(qx_A^* + (1-q)(\pi - x_B^*) - c_A^S)$, which can be rewritten as $SQ_A + SQ_B \leq \pi + c_B^F - c_B^S + c_A^F - c_A^S$. An identical argument with actor labels permuted demonstrates that B has no incentive to make a one-shot deviation away from x_B^* under the same condition. As such, an equilibrium of this form with x_A^* and x_B^* as given above exists under this condition, and when $x_A^* \in (0,1)$ and $x_B^* \in (0,1)$. These conditions collected together are equivalent to the definition of Region (1) offered in the Proposition.

Case 2a: $x_A^* = \pi$ and $x_B^* \in [0, \pi]$. We now consider the incentives of A and B in the context of an equilibrium of the above form, except with x_A^* fixed at π. Given an equilibrium offer x_B^* at some arbitrary decision node, A receives payoff $\pi - x_B^* - c_A^S$ from accepting the offer; a one-shot deviation to rejection of the offer instead yields continuation value $p(SQ_A - c_A^F) + (1-p)(q\pi + (1-q)(\pi - x_B^*) - c_A^S)$. A has no incentive to make such a one-shot deviation so long as the first quantity is at least as great as the second, a condition which can be rewritten as $x_B^* \leq \frac{p(\pi - SQ_A + c_A^F - c_A^S)}{1-(1-p)(1-q)}$. At the same time, B receives utility $-c_B^S$ from accepting the offer $x_A^* = \pi$; a one-shot deviation to rejecting this offer yields utility $p(SQ_B - c_B^F) + (1-p)((1-q)x_B^* - c_B^S)$. B has no incentive to make such a deviation so long as $-c_B^S \geq p(SQ_B - c_B^F) + (1-p)((1-q)x_B^* - c_B^S)$.

We next consider the incentives of A and B to make the offers x_A^* and x_B^*, respectively. We note first that, if B is willing to make an acceptable offer in equilibrium, it must satisfy $\pi - x_B^* - c_A^S = p(SQ_A - c_A^F) + (1-p)(q\pi + (1-q)(\pi - x_B^*) - c_A^S)$; an offer involving any smaller value x_B^* would be a dominated action for B. x_B^* can then be obtained simply by rearranging the above to $x_B^* = \frac{p(\pi - SQ_A + c_A^F - c_A^S)}{1-(1-p)(1-q)}$. Given this value of x_B^*, the above condition $-c_B^S \geq p(SQ_B - c_B^F) + (1-p)((1-q)x_B^* - c_B^S)$ can be rewritten $SQ_B \leq c_B^F - c_B^S - (\pi + c_A^F - c_A^S)\frac{(1-p)(1-q)}{1-(1-p)(1-q)} + SQ_A\frac{(1-p)(1-q)}{1-(1-p)(1-q)}$. B is willing to offer such x_B^* if the utility to her from doing do exceeds the continuation value she would receive from a one-shot deviation to passing or to making an unacceptable offer. An offer of x_B^* by B is accepted and yields utility $x_B^* - c_B^S$ to B; a one-shot deviation to passing or to an unacceptable offer yields continuation value $p(SQ_B - c_B^F) + (1-p)((1-q)x_B^* - c_B^S)$. She therefore has no incentive to make such a one-shot deviation so long as $x_B^* - c_B^S \geq p(SQ_B - c_B^F) + (1-p)((1-q)x_B^* - c_B^S)$, which can be rewritten as $SQ_A + SQ_B \leq \pi + c_B^F - c_B^S + c_A^F - c_A^S$ using the above expression for x_B^*. Finally, if $x_A^* = \pi$ is acceptable to B (true under the given conditions above), A is willing to make this offer in equilibrium only if the utility to her from doing do exceeds the continuation value she would receive from a one-shot deviation to passing; clearly deviation to a smaller value of x_A^* would leave A worse off. A receives utility $\pi - c_A^S$ from making offer $x_A^* = \pi$; a one-shot deviation to passing yields $p(SQ_A - c_A^F) + (1-p)(q\pi + (1-q)(\pi - x_B^*) - c_A^S)$. This implies A has no incentive to make such a one-shot deviation so long as $SQ_A \leq \pi - (c_A^F - c_A^S)$. Combining all of the above conditions, while noting that $x_B^* \in [0,1]$ over the whole region defined by these conditions, implies the existence of equilibria with $x_A^* = \pi$ and $x_B^* = \frac{p(\pi - SQ_A + c_A^F - c_A^S)}{1-(1-p)(1-q)}$ in Region (2a).

Case 2b: $x_A^* \in [0,\pi]$ and $x_B^* = \pi$. A symmetric argument to that in the previous case, with actor labels permuted, establishes the existence of equilibria in which $x_B^* = \pi$ and $x_A^* = \frac{p(\pi - SQ_B + c_B^F - c_B^S)}{1-(1-p)q}$ under conditions corresponding to the definition of Region (2b).

Case 0: $SQ_A + SQ_B > \pi + c_B^F - c_B^S + c_A^F - c_A^S$ or $SQ_A > \pi + c_A^F - c_A^S$ or $SQ_B > \pi + c_B^F - c_B^S$. $SQ_A > \pi + c_A^F - c_A^S$ implies $SQ_A - c_A^F > \pi - c_A^S$, so A receives higher utility from failed negotiations than from any feasible outcome of successful negotiations; as such, she will reject any proposal that is offered by B, and will either pass or propose an unacceptable division as a proposer. $SQ_B > \pi + c_B^F - c_B^S$ leads directly to parallel implications for B. Finally, if $SQ_A + SQ_B > \pi + c_B^F - c_B^S + c_A^F - c_A^S$, it cannot simultaneously be true both that $SQ_A - c_A^F \leq x - c_A^S$ and that $SQ_B - c_B^F > le(\pi - x) - c_B^S$ for any allocation of π offering x to A and $\pi - x$ to B, so there can be no mutually acceptable proposal. As such, in all of these cases, no proposal that is made will be accepted, and secret negotiations continue until exogenous termination occurs and they fail. ■

Proof of Proposition 2. First, consider the set of all values (SQ_A, SQ_B) which could fall in Proposition 1's Region (0) for at least some s_A and s_B. This set consists of all points satisfying $SQ_A + SQ_B \geq \pi + c_B^{F0} - c_B^{S0} + c_A^{F0} - c_A^{S0}$ or $SQ_A \geq \pi + c_A^{F0} - c_A^{S0}$ or $SQ_B \geq \pi + c_B^{F0} - c_B^{S0}$. The maximum utility an individual agent i could ever receive from secret negotiations is $\pi - c_i^{S0}$, so a necessary condition for negotiations taking place in equilibrium is $SQ_i \leq \pi - c_i^{S0}$, $i \in \{A, B\}$; a further necessary condition is $SQ_A + SQ_B \leq \pi - c_A^{S0} - c_B^{S0}$, that is, π must be sufficiently large simultaneously to induce both agents to wish to engage in negotiations if they are to take place. These necessary conditions cannot simultaneously be obeyed by any of the points in the area described above, so negotiations do not take place for these values of (SQ_A, SQ_B). The remainder of the Proposition is concerned with the complement of this area, that is, $0 \leq SQ_A + SQ_B < \pi + c_B^{F0} - c_B^{S0} + c_A^{F0} - c_A^{S0}$ and $0 \leq SQ_A < \pi + c_A^{F0} - c_A^{S0}$ and $0 \leq SQ_B < \pi + c_B^{F0} - c_B^{S0}$.

Our analysis over this remainder of the parameter space considers the logic of equilibrium in a series of cases, involving different feasible orderings of SQ_A and the u_A^{neg}'s relative to one another, and SQ_B and the u_B^{neg}'s relative to one another. We note that the expressions for regions (1) and (2a) [(1) and (2b)] in Proposition 1 return identical values for x_A^* and x_B^* when evaluated at the boundary between regions (1) and (2a) [(1) and (2b)], and that therefore, given the functional forms in Proposition 1, x_A^* [x_B^*] is weakly increasing in $c_B^F - c_B^S$ [$c_A^F - c_A^S$] and weakly decreasing in $c_A^F - c_A^S$ [$c_B^F - c_B^S$] over this area. Recall that both actors' bargaining shares as well as audience costs are relevant to the u^{neg}'s. Over this area, a strategy profile (dd, d) results in at least as large a bargaining share for A as (d, d) or (d, dd), but (dd, d) is associated with a strictly lower cost for A. Hence, $u_A^{neg}(dd, d) > u_A^{neg}(d, d)$ and $u_A^{neg}(dd, d) > u_A^{neg}(d, dd)$. A similar argument establishes $u_A^{neg}(dd, dd) > u_A^{neg}(d, dd)$. Symmetric arguments for B establish that $u_B^{neg}(d,dd) > u_B^{neg}(d,d)$ and $u_B^{neg}(d,dd) > u_B^{neg}(dd,d)$ and $u_B^{neg}(dd,dd) > u_B^{neg}(dd,d)$. We also note that $u_A^{neg}(d,d) \geq u_A^{neg}(dd,dd)$ implies $u_B^{neg}(dd,dd) > u_B^{neg}(d,d)$; d is associated with a higher cost than dd, so if $u_A^{neg}(d,d) \geq u_A^{neg}(dd,dd)$, then A's bargaining share from (d,d) must exceed her bargaining share from (dd,dd); but then (d,d) must offer both higher cost and lower bargaining share for B than (dd,dd). In the same way, $u_B^{neg}(d,d) \geq u_B^{neg}(dd,dd)$ implies $u_A^{neg}(dd,dd) > u_A^{neg}(d,d)$.

With these notes in mind, collection of the case-by-case results below implies the conditions given in the Proposition. As is clear from the logic below, the region where equilibria exist in which secret negotiations do not take place can be more formally specified as the union of the last six regions considered. Below, the notation $dd \succ_i d$ is used to indicate, for example, that i receives higher expected utility from dd than from d under the specified circumstances; the notation $N \succ_i NN$ is used to indicate that i receives higher expected utility from negotiations taking place (N) than from negotiations not taking place (NN) under the specified circumstances. The symbols $\succeq_i$ and $\sim_i$ have the obvious parallel meanings.

$\underline{SQ_A < u_A^{neg}(d,dd) \ \& \ SQ_B < u_B^{neg}(dd,d).}$ Regardless of the choices made in the first stage, $N \succ_A NN$ and $N \succ_B NN$, so equilibrium play must involve (n,n), because play of nn would be sequentially weakly dominated for both A and B. Given the above restrictions on the orderings of the u_A^{neg}'s and the u_B^{neg}'s, $dd \succ_A d$ if B plays dd and $dd \succ_A d$ if B plays d, while $dd \succ_B d$ if A plays dd and $dd \succ_B d$ if A plays d. As such, d is sequentially strictly dominated by dd for both A and B, and all equilibrium play must involve (n,n) and (dd,dd).

$\underline{min(u_A^{neg}(dd,dd), u_A^{neg}(d,d)) > SQ_A > u_A^{neg}(d,dd) \ \& \ SQ_B < u_B^{neg}(dd,d).}$ Here, $N \succ_B NN$ regardless of the choices made in the first stage; $N \succ_A NN$ unless the first-stage outcome was (d,dd), in which case $NN \succ_A N$. Thus, equilibrium play must involve (n,n) so long as the first-stage outcome was not (d,dd), in which case no negotiations take place. In the first stage, then, $dd \succ_A d$ if B plays dd, because $u_A^{neg}(dd, dd) > SQ_A$; meanwhile, $dd \succ_A d$ if B plays d, because $u_A^{neg}(dd, d) > u_A^{neg}(d, d)$. As such, play of d will be sequentially strictly dominated by play of dd for A. Finally, if A plays dd, $dd \succ_B d$ because $u_B^{neg}(dd, dd) > u_B^{neg}(dd, d)$. Thus, all equilibrium play must involve (n, n) and (dd, dd). $\underline{SQ_A < u_A^{neg}(d, dd) \ \& \ min(u_B^{neg}(dd, dd), u_B^{neg}(d, d)) > SQ_B > u_B^{neg}(dd, d).}$ An identical argument, with actor labels permuted, leads to the same conclusion.

$\underline{u_A^{neg}(dd, dd) > SQ_A > u_A^{neg}(d, d) \ \& \ SQ_B < u_B^{neg}(dd, d).}$ Here, $N \succ_B NN$ regardless of the choices made in the first stage; $N \succ_A NN$ so long as A chose dd in the first stage, otherwise $NN \succ_A N$. Thus, equilibrium play must involve (n, n) so long as A chooses dd in the first stage; if she does not, no negotiations take place. In the first stage, then, $dd \succ_A d$ if B plays dd, because $u_A^{neg}(dd, dd) > SQ_A$; meanwhile, $dd \succ_A d$ if B plays d, because $u_A^{neg}(dd, d) > SQ_A$. As such, play of d will be sequentially strictly dominated by play of dd for A. Finally, if A plays dd, $dd \succ_B d$ because $u_B^{neg}(dd, dd) > u_B^{neg}(dd, d)$. Thus, all equilibrium play must involve (n, n) and (dd, dd). $\underline{SQ_A < u_A^{neg}(d, dd) \ \& \ u_B^{neg}(dd, dd) > SQ_B > u_B^{neg}(d, d).}$ An identical argument, with actor labels permuted, leads to the same conclusion.

$\underline{u_A^{neg}(d, d) > SQ_A > u_A^{neg}(dd, dd) \ \& \ SQ_B < u_B^{neg}(dd, d).}$ Here, $N \succ_B NN$ regardless of the choices made in the first stage; $N \succ_A NN$ so long as B chose d in the first stage, otherwise $NN \succ_A N$. Thus, equilibrium play must involve (n, n) so long as B chooses d in the first stage; if she does not, no negotiations take place. In the first stage, then, $d \succ_B dd$ if A plays dd, because $u_B^{neg}(dd, d) > SQ_B$; meanwhile, $d \succ_B dd$ if A plays d, because $u_B^{neg}(d, d) > SQ_B$. As such, play of dd will be sequentially strictly dominated by play of d for B. Finally, $dd \succ_A d$ if B plays d, because $u_A^{neg}(dd, d) > u_A^{neg}(d, d)$. Thus, all equilibrium play must involve (n, n) and (dd, d). $\underline{SQ_A < u_A^{neg}(d, dd) \ \& \ u_B^{neg}(d, d) > SQ_B > u_B^{neg}(dd, dd).}$ An identical argument, with actor labels permuted, leads to the conclusion that all equilibrium play must involve (n, n) and (d, dd).

$\underline{u_A^{neg}(dd,d) > SQ_A > max(u_A^{neg}(dd,dd), u_A^{neg}(d,d))\ \&\ SQ_B < u_B^{neg}(dd,d)}$. Here, $N \succ_B NN$ regardless of the choices made in the first stage; $N \succ_A NN$ so long as the first stage resulted in (dd,d), otherwise $NN \succ_A N$. Thus, equilibrium play must involve (n,n) so long as the first stage resulted in (dd,d); otherwise, no negotiations take place. In the first stage, then, $d \succ_B dd$ if A plays dd, because $u_B^{neg}(dd,d) > SQ_B$; meanwhile, $d \sim_B dd$ if A plays d, because negotiations do not take place in either event. As such, play of dd will be sequentially weakly dominated by play of d for B. Finally, because $u_A^{neg}(dd,d) > SQ_A$, $dd \succ_A d$ if B plays d. Thus, all equilibrium play must involve (dd,d) and (n,n). $\underline{SQ_A < u_A^{neg}(d,dd)\ \&\ u_B^{neg}(d,dd) > SQ_B > max(u_B^{neg}(dd,dd), u_B^{neg}(d,d))}$. An identical argument, with actor labels permuted, leads to the conclusion that all equilibrium play must involve (d,dd) and (n,n).

$\underline{min(u_A^{neg}(dd,dd), u_A^{neg}(d,d)) > SQ_A > u_A^{neg}(d,dd)\ \&\ min(u_B^{neg}(dd,dd), u_B^{neg}(d,d)) > SQ_B > u_B^{neg}(dd,d)}$. Here, $N \succ_B NN$ unless the first stage resulted in (dd,d), in which case $NN \succ_B N$; $N \succ_A NN$ unless the first stage resulted in (d,dd), in which case $NN \succ_A N$. Thus equilibrium play must involve (n,n) so long as the first stage resulted either in (dd,dd) or (d,d); otherwise, no negotiations take place. In the first stage, then, $dd \succ_B d$ if A plays dd, because $u_B^{neg}(dd,dd) > SQ_B$; but $d \succ_B dd$ if A plays d, because $u_B^{neg}(d,d) > SQ_B$. Similarly, $dd \succ_A d$ if B plays dd, because $u_A^{neg}(dd,dd) > SQ_A$; but $d \succ_A dd$ if B plays d, because $u_A^{neg}(d,d) > SQ_A$. Given these mutual best responses, all equilibrium play must involve (n,n) and either (dd,dd) or (d,d).

$\underline{u_A^{neg}(dd,dd) > SQ_A > u_A^{neg}(d,d)\ \&\ min(u_B^{neg}(dd,dd), u_B^{neg}(d,d)) > SQ_B > u_B^{neg}(dd,d)}$. Here, $N \succ_B NN$ unless the first stage resulted in (dd,d), in which case $NN \succ_B N$; $N \succ_A NN$ if and only if A played dd in the first stage, otherwise $NN \succ_A N$. Thus equilibrium play must involve (n,n) so long as the first stage resulted in (dd,dd); otherwise, no negotiations take place. In the first stage, then, $dd \succ_B d$ if A plays dd, because $u_B^{neg}(dd,dd) > SQ_B$; $dd \sim_B d$

if A plays d, because negotiations do not take place in either event. As such, play of d will be sequentially weakly dominated by play of dd for B. Finally, because $u_A^{neg}(dd, dd) > SQ_A$, $dd \succ_A d$ if B plays dd. Thus, all equilibrium play must involve (dd, dd) and (n, n).

$\underline{min(u_A^{neg}(dd, dd), u_A^{neg}(d, d)) > SQ_A > u_A^{neg}(d, dd) \; \& \; u_B^{neg}(dd, dd) > SQ_B > u_B^{neg}(d, d).}$ An identical argument, with actor labels permuted, leads to the same conclusion.

$\underline{u_A^{neg}(d, d) > SQ_A > u_A^{neg}(dd, dd) \; \& \; min(u_B^{neg}(dd, dd), u_B^{neg}(d, d)) > SQ_B > u_B^{neg}(dd, d).}$ Here, $N \succ_B NN$ unless the first stage resulted in (dd, d), in which case $NN \succ_B N$; $N \succ_A NN$ only if B played d in the first stage, otherwise $NN \succ_A N$. Thus equilibrium play must involve (n, n) so long as the first stage resulted in (d, d); otherwise, no negotiations take place. In the first stage, then, $d \succ_A dd$ if B plays d, because $u_A^{neg}(d, d) > SQ_A$; $d \sim_A dd$ if B plays dd, because negotiations do not take place in either event. As such, play of dd will be sequentially weakly dominated by play of d for A. Finally, because $u_B^{neg}(d, d) > SQ_B$, $d \succ_B dd$ if A plays d. Thus, all equilibrium play must involve (d, d) and (n, n).

$\underline{min(u_A^{neg}(dd, dd), u_A^{neg}(d, d)) > SQ_A > u_A^{neg}(d, dd) \; \& \; u_B^{neg}(d, d) > SQ_B > u_B^{neg}(dd, dd).}$ An identical argument, with actor labels permuted, leads to the same conclusion.

$\underline{u_A^{neg}(dd, dd) > SQ_A > u_A^{neg}(d, d) \; \& \; u_B^{neg}(dd, dd) > SQ_B > u_B^{neg}(d, d).}$ Here, $N \succ_B NN$ only if B played dd in the first stage, otherwise $NN \succ_B N$; $N \succ_A NN$ only if A played dd in the first stage, otherwise $NN \succ_A N$. Thus equilibrium play must involve (n, n) so long as the first stage resulted in (dd, dd); otherwise, no negotiations take place. In the first stage, then, $dd \succ_B d$ if A plays dd, because $u_B^{neg}(dd, dd) > SQ_B$; $dd \sim_B d$ if A plays d, because negotiations do not take place in either event. As such, play of d will be sequentially weakly dominated by play of dd for B. Similarly, $dd \succ_A d$ if B plays dd, because $u_A^{neg}(dd, dd) > SQ_A$; $dd \sim_A d$ if B plays d, because negotiations do not take place in either event. As such, play of d will be sequentially weakly dominated by play of dd for A. Thus, all equilibrium play must involve (dd, dd) and (n, n).

$\underline{u_A^{neg}(d,d) > SQ_A > u_A^{neg}(dd,dd)\ \&\ u_B^{neg}(dd,dd) > SQ_B > u_B^{neg}(d,d)}$. Here, $N \succ_B NN$ if and only if B played dd in the first stage, otherwise $NN \succ_B N$; $N \succ_A NN$ if and only if B played d in the first stage, otherwise $NN \succ_A N$. The conditions for $N \succ_A NN$ and $N \succ_B NN$ are thus mutually exclusive, so equilibrium play cannot involve (n,n) and negotiations do not take place. $\underline{u_A^{neg}(dd,dd) > SQ_A > u_A^{neg}(d,d)\ \&\ u_B^{neg}(d,d) > SQ_B > u_B^{neg}(dd,dd)}$. An identical argument, with actor labels permuted, leads to the same conclusion.

$\underline{u_A^{neg}(dd,d) > SQ_A > max(u_A^{neg}(dd,dd), u_A^{neg}(d,d))\ \&\ SQ_B > u_B^{neg}(dd,d)}$. Here, $N \succ_A NN$ if and only if (dd,d) was the outcome of the first stage, otherwise $NN \succ_A N$. However, $NN \succ_B N$ if (dd,d) was the outcome of the first stage. The conditions for $N \succ_A NN$ and $N \succ_B NN$ are thus mutually exclusive, so equilibrium play cannot involve (n,n) and negotiations do not take place. $\underline{SQ_A > u_A^{neg}(d,dd)\ \&\ u_B^{neg}(d,dd) > SQ_B > max(u_B^{neg}(dd,dd), u_B^{neg}(d,d))}$. An identical argument, with actor labels permuted, leads to the same conclusion.

$\underline{SQ_A > u_A^{neg}(dd,d)}$. Here, $NN \succ_A N$ regardless of the choices made in the first stage. As such, equilibrium play must involve choice of nn by A, and negotiations do not take place. $\underline{SQ_B > u_B^{neg}(d,dd)}$. Here, $NN \succ_B N$ regardless of the choices made in the first stage. As such, equilibrium play must involve choice of nn by B, and negotiations do not take place. ■

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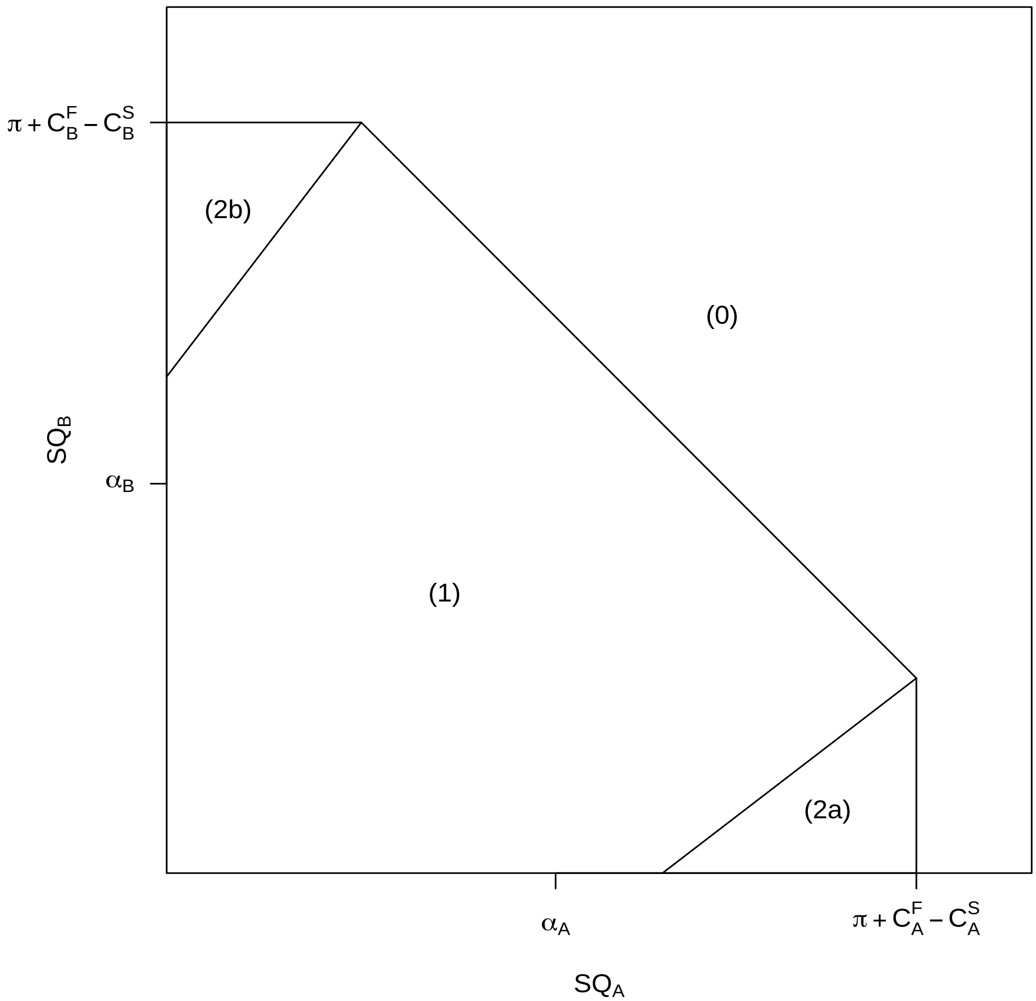


Figure 1: A Graphical Depiction of the Equilibrium Regions from Proposition 1 on the Secret Negotiations Stage. $\alpha_A = \pi + c_A^F - c_A^S - (c_B^F - c_B^S)\frac{1-(1-q)(1-p)}{(1-q)(1-p)}$, $\alpha_B = \pi + c_B^F - c_B^S - (c_A^F - c_A^S)\frac{1-q(1-p)}{q(1-p)}$.

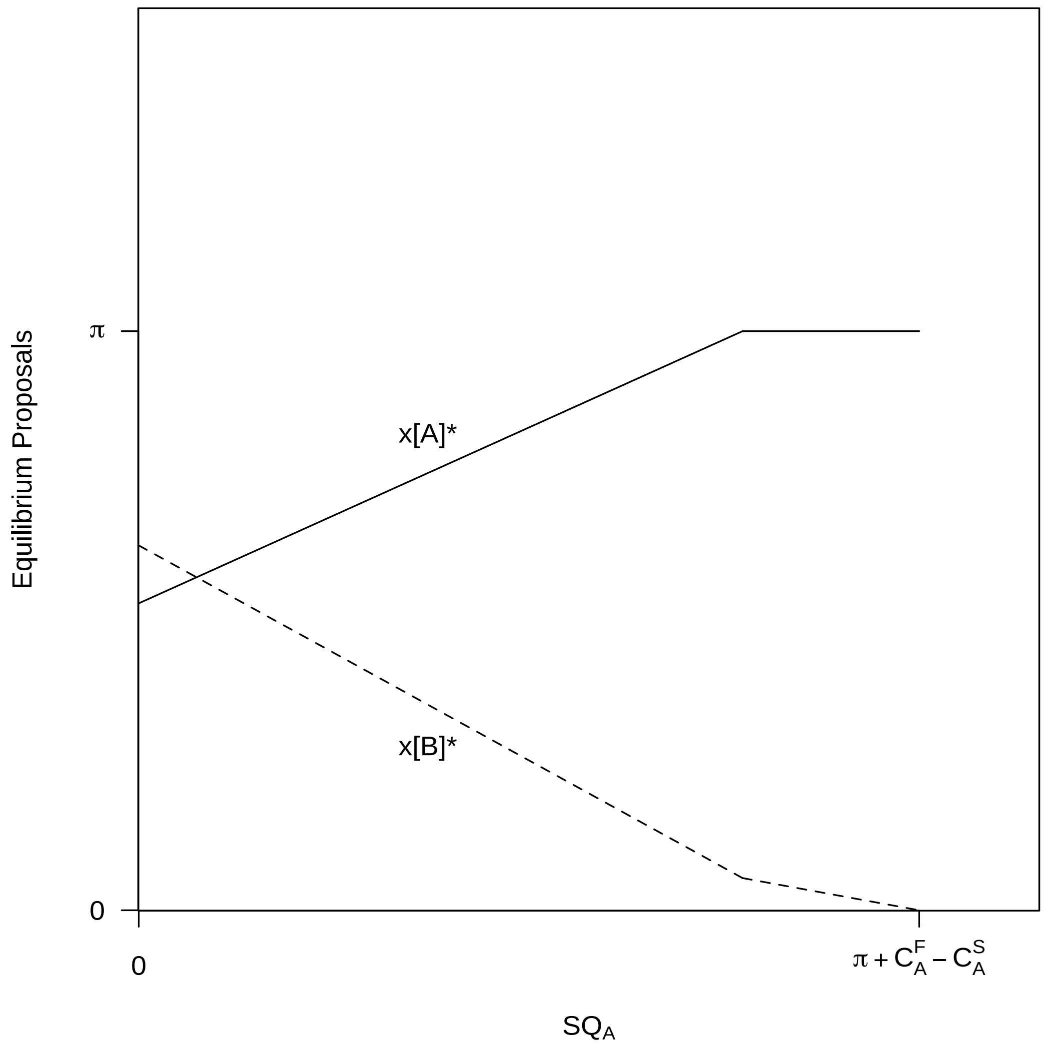
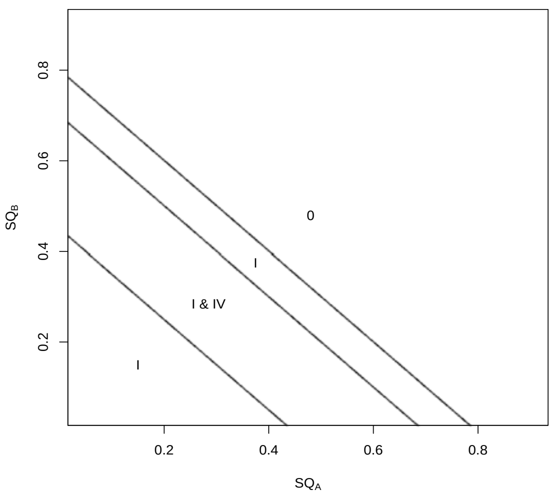
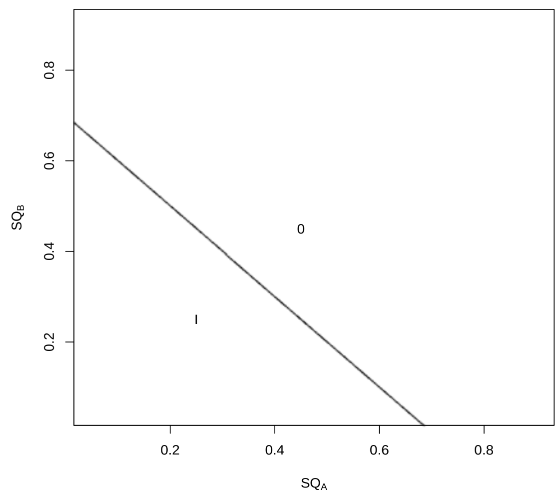


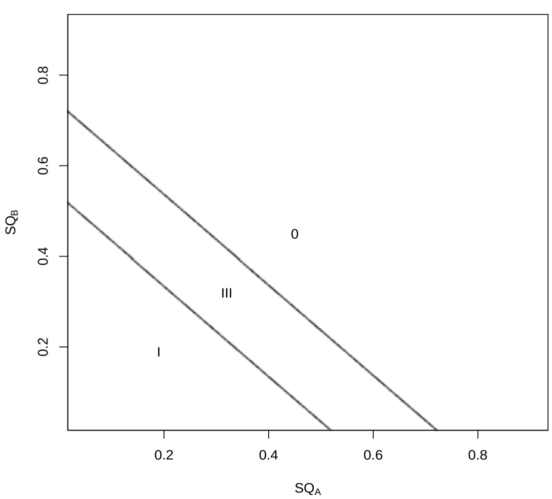
Figure 2: Equilibrium Proposals from Proposition 1 on the Secret Negotiations Stage as a Function of SQ_A, with Other Parameters Held Fixed ($SQ_B = 0.1$, $q = 0.5$, $p = 0.1$, $\pi = 1$, $c_A^F = c_B^F = 0.5$, $c_A^S = c_B^S = 0.15$).



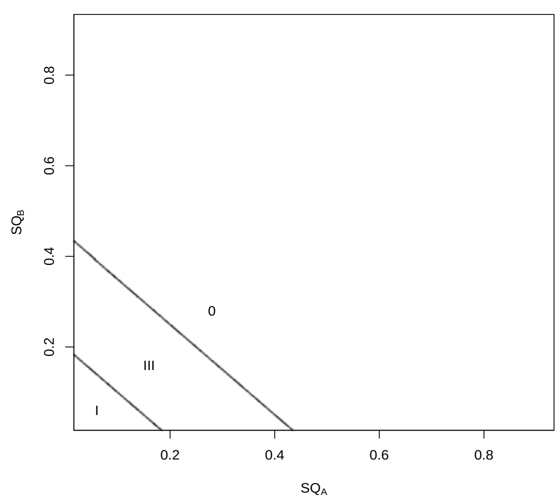
(a) $q = 0.5$



(b) $q = 0.6$

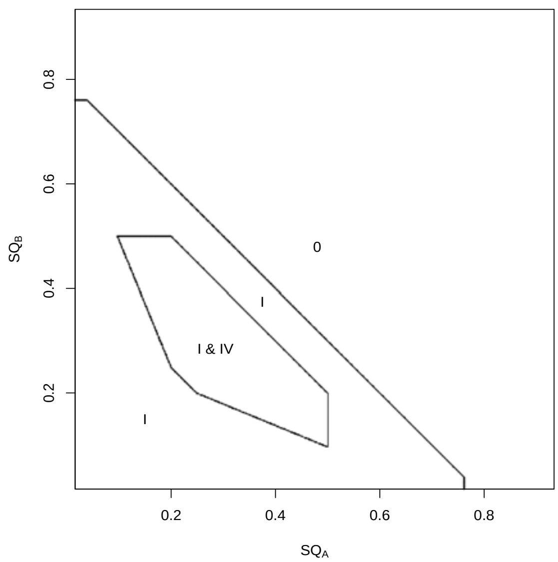


(c) $q = 0.7$

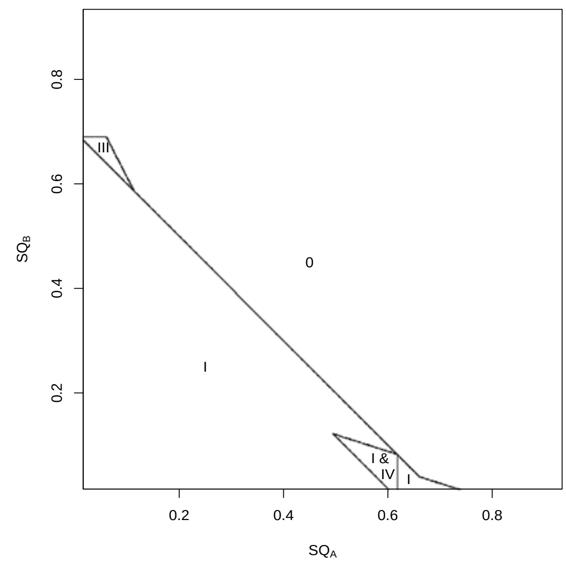


(d) $q = 0.8$

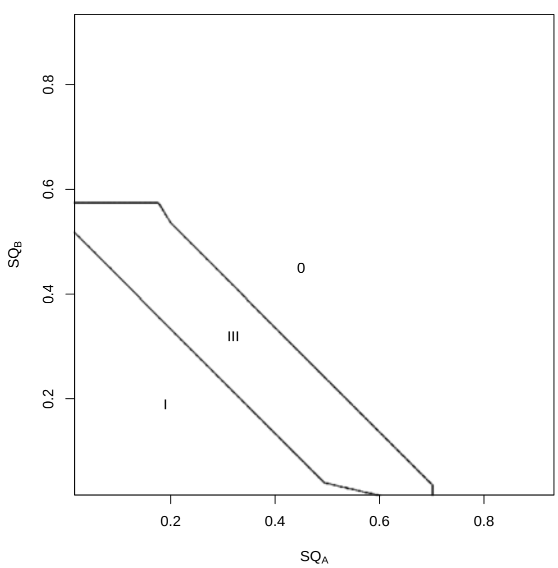
Figure 3: A Graphical Depiction of the Equilibrium Regions from Proposition 2 on the Game as a Whole, for Varying q, with Other Parameters Held Fixed ($p = 0.1$, $\pi = 1$, $c_A^{FD} = c_B^{FD} = 0.5$, $c_A^{SD} = c_B^{SD} = 0.15$,$c_A^{F0} = c_B^{F0} = 0.2$,$c_A^{S0} = c_B^{S0} = 0.1$).



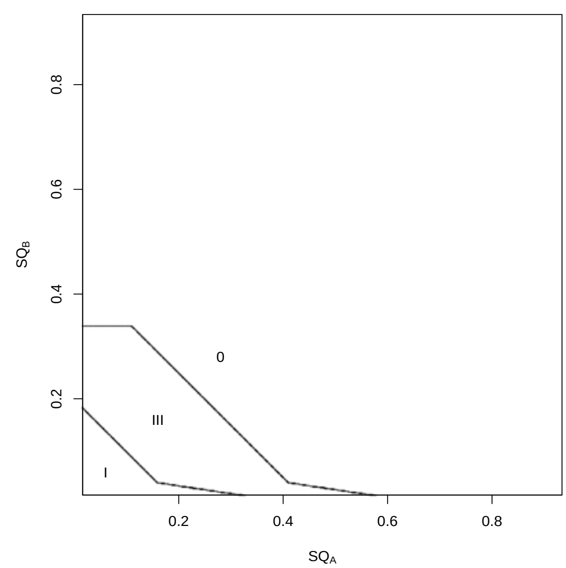
(a) $q = 0.5$



(b) $q = 0.6$



(c) $q = 0.7$



(d) $q = 0.8$

Figure 4: A Graphical Depiction of the Equilibrium Regions from Proposition 2 on the Game as a Whole, for Varying q, with Other Parameters Held Fixed ($p = 0.7$, $\pi = 1$, $c_A^{FD} = c_B^{FD} = 0.5$, $c_A^{SD} = c_B^{SD} = 0.15$,$c_A^{F0} = c_B^{F0} = 0.2$,$c_A^{S0} = c_B^{S0} = 0.1$).