

## **Abstract**

We formalize the onset of militarized conflict with a generic ultimatum bargaining model. Following Werner (2000), our formal model shows the challenger's territorial demand is endogenous in the probability model of conflict onset. We address the presence of strategic territorial demands with an econometric specification taking the form of a recursive simultaneous binary choice model. Central to our argument and the statistical test is the observation that territorial demands made by the challenger cannot be treated as exogenous in empirical evaluations of a bargaining model of territorial conflict. Our results have implications for any statistical evaluation of bargaining models of international conflict with endogenous demands regardless of sophistication and show variables commonly associated with the costs of conflict such as democracy and economic interdependence affect conflict onset directly and indirectly. Consistent with research on the liberal peace, democracy and interdependence directly decrease the probability of conflict. However, they also exhibit an indirect effect, decrease the probability of conflict through their strategic effect on territorial demands. Overall we find general support for bargaining explanations of international conflict and identify a link between these results and those presented by the liberal peace research program.