Bargaining: Theory and Experiments (BSc)

Lecturer
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Course objectives
Our objective is to introduce students the key concepts in bargaining, major approaches used in modeling/studying bargaining (e.g., cooperative and noncooperative game theory, experimental economics, behavioral economics), interactions between these approaches, special topics in bargaining, successful negotiation tactics, and future directions in bargaining research. We hope that, by the end of the course, all students will have a decent knowledge about the research on bargaining; and some students may even come up with good research questions.

Course content
The following is a provisional schedule. The exact content and the sequence in which the content will be covered can change.

The course starts with an emphasis on the importance of the study of bargaining from different perspectives. Then, we first introduce the key ingredients (e.g., bargaining set, players, payoffs, threat point, utopia point etc.) of a simple bargaining problem. Later, we introduce two major theoretical approaches used to study bargaining problems in economics: cooperative game theoretical and noncooperative game theoretical approach. After that, we study the extensions of the basic models and special topics in bargaining in this theoretical framework. In the second part of the course, we focus on experimental and behavioral approaches to study bargaining problems. Here, we will start with early bargaining experiments, investigate various types of bargaining protocols frequently used in experimental work, and again look at special topics (e.g., fairness, focal points, first offers, unstructured bargaining, joint production etc.). In the final part of the course, we focus on negotiation tactics and topics we think should and will be studied by negotiation scholars more in the years to come.

Prerequisites
An introductory level of knowledge in economics and game theory. All the concepts that are used in the course will be defined, explained, and discussed during the course.

Instructional methods
Lectures, classroom experiments, online video material, and discussions.

Reading list
There is a rich reading list for the course. Readings are divided into two groups: required and optional. To benefit from the course and lectures to the greatest possible extent, students should try to read the required ones. The optional readings are to complete your understanding and serve as an extended bibliography.
THEORY

Axiomatic/Cooperative Bargaining Theory:

Required Readings:

Optional Readings:

Non-Cooperative Bargaining Theory:

Required Readings:

Optional Readings:

Extensions to the Basic Models:

Bargaining with Claims:

Required Readings:

Optional Readings:
Reference Points/Aspiration Points in Cooperative Models:

Required Readings:

Optional Readings:

Loss Aversion / Prospect Theoretic Preferences:

Required Readings:

Optional Readings:

Endogenous Disagreement Points:

Required Readings:
Optional Readings:

Special Topics:

Focal Points in Bargaining:

Required Readings:

Optional Readings:

Reference-Dependent Behavior in Bargaining:

Required Readings:

Optional Readings:

Bargaining Delay/Failure:

Required Readings:


**Optional Readings:**


Multiplicity/Refinements, Equal Division, and Implementation:

**Required Readings:**

**Optional Readings:**

**Models with Production/Investment:**

**Required Readings:**

**Optional Readings:**

**EXPERIMENTS**

**Early Bargaining Experiments / Various Bargaining Protocols:**

**Required Readings:**
Optional Readings:

Special Topics:

*Fairness / Justice in Bargaining Experiments:*

Required Readings:

Optional Readings:

Reference Points /Focal Points/Norms:

Required Readings:


**Optional Readings:**


**First Offers in Negotiations:**

**Required Readings:**


**Optional Readings:**


**Time Pressure / Deadlines in Bargaining:**

**Required Readings:**

**Optional Readings:**

**Unstructured (or Free-Form) Bargaining:**

**Required Readings:**

**Optional Readings:**
Stake Size Effects in Experimental Bargaining Games:

Required Readings:

Optional Readings:

FUTURE DIRECTIONS

Bargaining with Production/Investment and Bargaining over Contracts:

Required Readings:

Optional Readings:

Pre and Post Negotiation Relationships / More Endogeneity:

Required Readings:

**Online Video Material**

Werner Güth's (Director of Strategic Interaction Group at Max Planck Institute at Jena) plenary speech at 2012 ESA World Meeting.
Link: http://www.youtube.com/watch?v=vtTKFDXQi0

William Ury's (the co-author of the best-selling book *Getting to Yes: Negotiating Agreement without Giving In*) talk on sustainable negotiation agreements.
Link: http://www.youtube.com/watch?v=e1NHqPDzqoU

**Time schedule**

6 hours of teaching per day (an hour lasts 45 minutes).

*Daily schedule:*

Morning: Lecture from 08.30 to 10.00, break from 10.00 to 10.15, and another lecture from 10.15 to 11.45.

Lunch break: 12.00-13.00.

Afternoon: Lecture from 13.00 to 14.30.

**Assessment**

A written two-hour exam. The exam will contain multiple choice and essay-type questions.