College of Business and Public Policy
UNIVERSITY of ALASKA ANCHORAGE

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The CBPP Economics Department
invite you to attend the following

Faculty & Student Seminar

Tuesday, December 12, 2017
3:30 p.m. – 5:00 p.m., RH303

Nick Feltovich
Monash University

Is earned bargaining power more fully exploited?

Abstract:
In past experiments involving a wide range of bargaining settings, individuals exploited their bargaining position less fully than standard theory predicts. These experiments have typically involved randomly allocated bargaining position, so that bargainers, viewing their position as unearned, may have been reluctant to fully exploit it. We investigate the impact of *earned* bargaining power using theory and experiment. In our "Earned" treatment, disagreement payoffs - and hence bargaining power - are based on performance on a *real-effort task*. In our "Assigned" treatment, subjects perform the task to enter the bargaining stage, but disagreement payoffs are randomly assigned. A third "Notask" treatment is like the Assigned treatment but without the task. Consistent with the implications of a behavioural-theory model we develop, subjects are more responsive to changes in bargaining position when it is earned than assigned. This result is robust to controlling for selection bias by including subject fixed effects.