



TRADING

Initiating Bargaining

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The authors use a unique data set — more than 1,200 high-stakes poker tournaments — to investigate whether the success of bargaining and the agreed upon terms depend on the characteristics of the person who initiates negotiations (the "initiator"). They conclude that negotiators are not at a disadvantage if they initiate a deal but they often are at a disadvantage if they are less-famous or less-rich than their counterparties.

While most negotiations are initiated by relatively poorer parties, the more chips the initiator has, the more likely it is that a negotiations will lead to a deal. A similar effect occurs when the initiator has had success in previous tournaments. Indeed, the authors find that deals often tend to favor players with more chips or high rank, regardless of who originally proposed the division.

In contrast, they add that there is no evidence that the initiator's share in a completed deal is affected, which means that opening negotiations is not a signal of weakness.

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