

Confrontation Costs in Negotiations

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Abstract

A common feature of negotiations is that in some dimensions the objectives of the parties are in conflict. Facing this conflict can trigger negative emotions: A sentiment of nervousness, embarrassment or awkwardness. In this paper I explore the existence and nature of these *confrontation costs*. By means of a lab experiment, I find evidence that for some people haggling entails confrontation costs. In a situation in which bargaining ensures higher payoffs, I show that bargaining propensity is smaller than one. Moreover, I show that these costs affect differently electronic and face-to-face negotiations. This goes against the general belief that face-to-face negotiations are more efficient. Even though the rate of agreements conditional on bargaining is lower electronically, a higher bargaining propensity and lower confrontation costs make e-negotiations welfare improving in my design. From a gender perspective, I find that avoiding conflict is a reason for women to haggle less than men. Therefore, policies oriented at easing conflict could help more conflict averse people in general, and women in particular, to lean in.