Bargaining and negotiating require strategic thinking. What would the other party do if I make this offer? Is it better to delegate authority to a representative or is it better to bargain myself? Can I ask for a raise by claiming necessity? Should I stall or try to settle right away? Should I pretend to be tough? How can I improve my bargaining position? This course aims to answer these questions using modern tools like Game Theory.

Game Theory will give you ideas that can help you understand many strategic situations. From simple household decisions to complicated managerial strategies, Game Theory provides an organized and systematic way of thinking about the problem. Game Theory studies conflict and provides answers for situations where everybody’s benefits and costs depend on what everybody else is doing. Bargaining is just that: a conflict where parties involved receive as much as they can get out of the other party.

This course will introduce the tools developed by Game Theory to identify the sources of conflict and cooperation in negotiation, the strategic advantages in bargaining and how to find ways to improve the power of each subject involved in the process.

The structure of the classes is simple. A real world problem where strategic thinking is needed will be introduced first (particular case). Sometimes we will perform an experiment or play a game to "feel" the case. There will be a discussion to identify the underlying strategic structure of the example. We will then create a “toy” model (a simplification of the world) where the basic issues arise. We will derive some conclusions from this model (general case). We will criticize our “toy” model because… it is a toy model!!! From that criticism we will build up and improve our understanding of the negotiation and bargaining environment. Sometimes, our criticism will come by introducing a new example where our “toy” model fails.

I will lecture and class participation is encouraged. Sometimes participation will be mandatory: since we rely heavily on experiments, students will be asked to play games and participate in those experiments. Students will learn by experience where our theory is not complete and what we should do to improve it. We will not only discuss Game Theory but we will also "feel" it. In the process you’ll learn how to identify what is missing in the analysis and what needs to be done to better understand the environment and to take advantage of the situation.