

Fairness Reasoning and Equality Concerns as Coordination Devices in Tacit Bargaining – A Text Protocol Analysis of Behavioral Experiments in Germany and China

Heike Hennig-Schmidt, Zhuyu Li, Gari Walkowitz

In many situations, negotiators face a tacit bargaining environment (Schelling, 1960), in which communication between negotiators is not allowed, not possible or unwanted. Schelling argues that negotiating parties have a common interest in coordinating their strategies, but their interests conflict over how they should coordinate. Negotiators have to overcome this challenge by finding ways of synchronizing their demands and offers and by coordinating their expectations of what their counterpart may finally accept as well as on their counterpart's intentions and motives. As Schelling stresses, these thought processes are infinitely reflexive. To coordinate expectations in such implicit bargaining situations and finally come to a decision, Schelling suggests that some of the (objective) details of the situation could operate as attractors (focal points) and thus serve as a coordination device and a substitute for direct communication.

We study how German and Chinese negotiators approach the coordination problem in tacit ultimatum bargaining situations. Using a unique data set of transcripts from videotaped group discussions (N = 142, involving 408 students) and individual statements on decision motives (N = 359 students), we provide new insights based on authentic statements of the bargaining protagonists. We find that addressing fairness is a significant driver for achieving coordination particularly in Germany. The equal split is the focal point of orientation regarding offers and demands in symmetric as well as in asymmetric bargaining settings. Nevertheless, about one third of the groups and 71% of the individuals do not mention fairness. Fairness-related arguments or equal-split discussions alone have no consistent impact on offers and lowest acceptance levels. Yet, offers increase significantly in the German and Chinese participant pools when fairness and equal-split reasoning are connected. Participants address the challenge of lacking communication by reflexive thought processes. They reason about their counterpart in two different modes of perspective taking and at higher levels in both participant pools. Our findings support the view that the opponent's interests enter into the players' thought processes and that the equal split represents a particular coordination instrument in our tacit bargaining situation. How fairness-related arguments guide players' behavior, is culturally bounded and context dependent.