

Bargaining with externalities: timing and bargaining power

by

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Abstract

Abstract: We study the optimal sequence of bargaining between one principal and two agents when the agents have different bargaining powers. There are externalities as in Segal (1999) and the order of bargaining is endogenous as in Möller (2007), but there are no externalities on the non-traders. If the agents are symmetric except for their bargaining power, and externalities are negative, the principal prefers to bargain with the stronger agent first.

Asymmetries and positive externalities can overturn this conclusion.