

# Lecture 2 Outline

- Part I
  - First Offers as Anchors: Does making the first offer lead to a better outcome for you?
  - Summary of Street Streaker Negotiation results
- Part II
  - Is Business Bluffing Ethical?
  - When is it Legal to Lie in Negotiations?
- Part III
  - Salt Harbor

“In a business transaction both sides presumably try to get the best deal. That is the essence of bargaining and the free market....[N]o legal rule bounds the run of business interest. So one cannot characterize self-interest as bad faith. No particular demand in negotiations could be termed dishonest, even if it seemed outrageous to the other party. The proper recourse is to walk away from the bargaining table, not sue for ‘bad faith’ ...”

U. S. Court of Appeals for the Seventh Circuit  
*Feldman vs Allegheny International 1988*

“...H. Ross Perot gave this advice to young businesspeople: ‘Don’t govern your life by what is legal or illegal, govern it by what’s right or wrong’.”

“Unethical bargaining practices are, as often as not, illegal or become so after they are brought to light. The law simply expands to include them.”

From *When is it Legal to Lie in Negotiations?*

By G. Richard Shell, Wharton in Sloan Mgt Review Spring 1991