

Negotiations, Expertise and Strategic Misinformation

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Peter Bruegel the Younger
Village Lawyer

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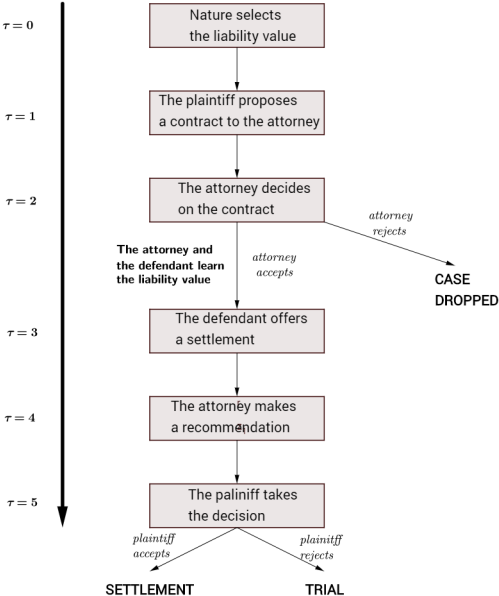
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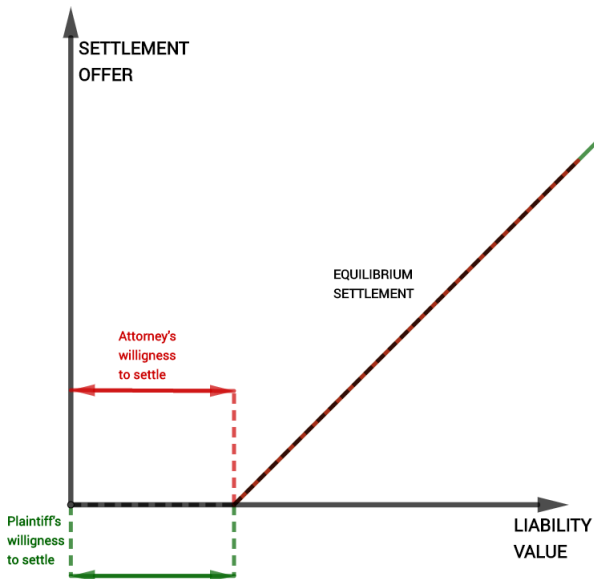
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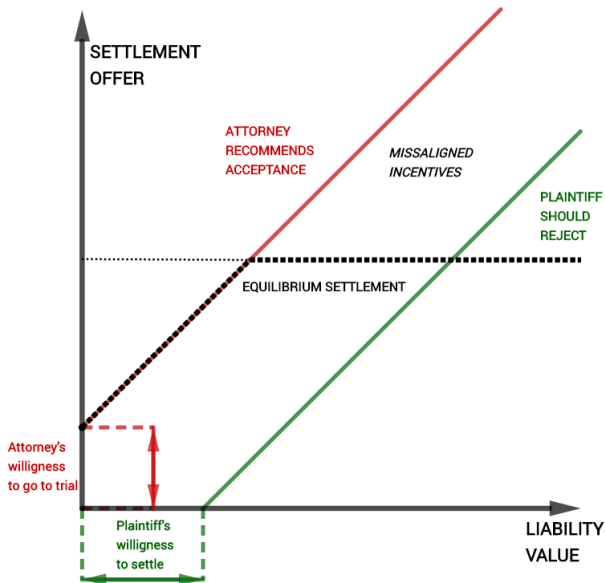
Model



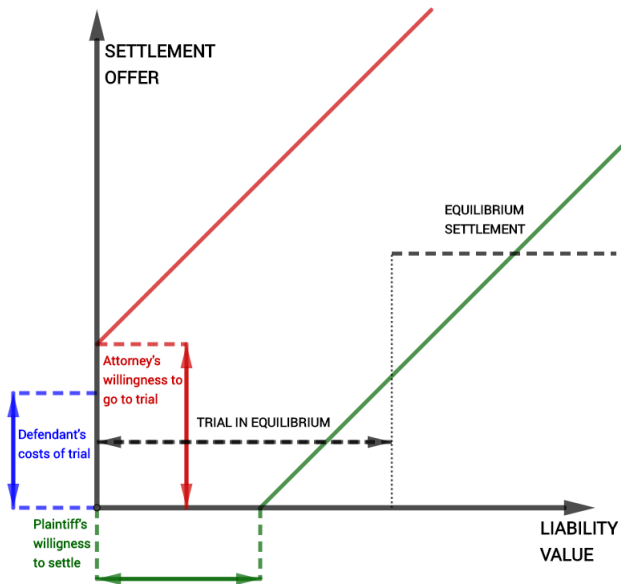
Perfectly Informative Equilibrium



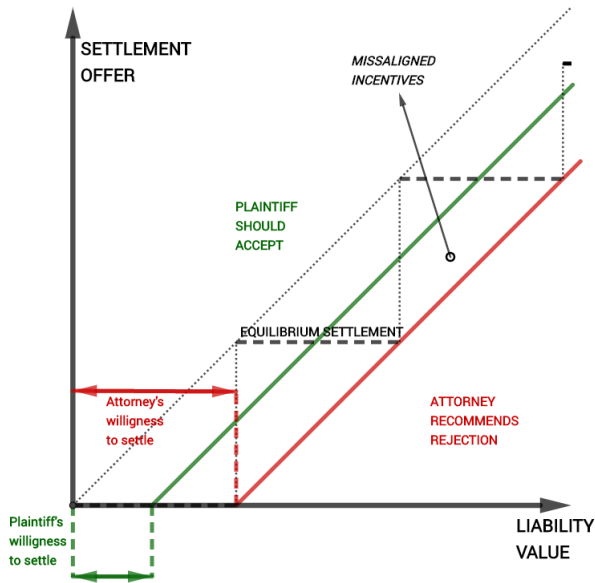
Misinformativ Equilibrium



Uninformative Equilibrium



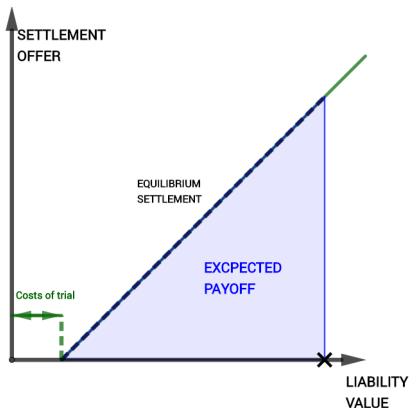
Partially Informative Equilibrium



$$C = (f_n, s_n, f_t, s_t)$$

- $f_n \in \mathbb{R}$ fixed payment in case of settlement;
- $s_n \in [0, 1]$ share of settlement offer;
- $f_n + f_t \in \mathbb{R}$ fixed payment in case of trial;
- $f_t \geq 0$
- $s_n + s_t \in [0, 1]$, share of executed compensation in case of trial.

Perfect Information Transmission

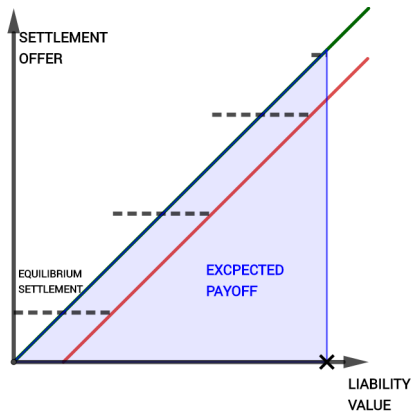


Perfect information transmission = No bargaining power

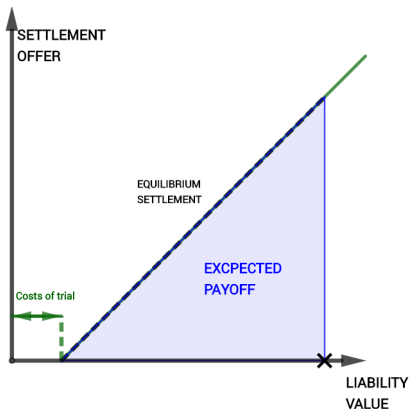
- **The plaintiff does not need precise information**
- Push the costs of the trial on the attorney!

Case Selling

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Perfect Information Transmission

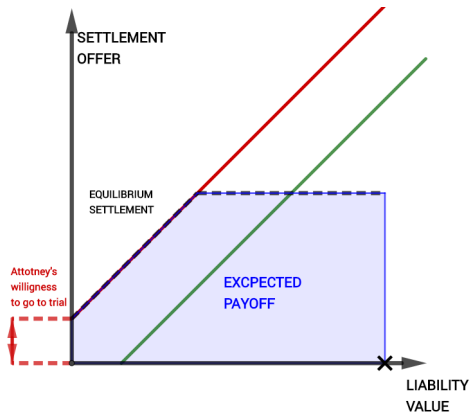


Strategic Misinformation

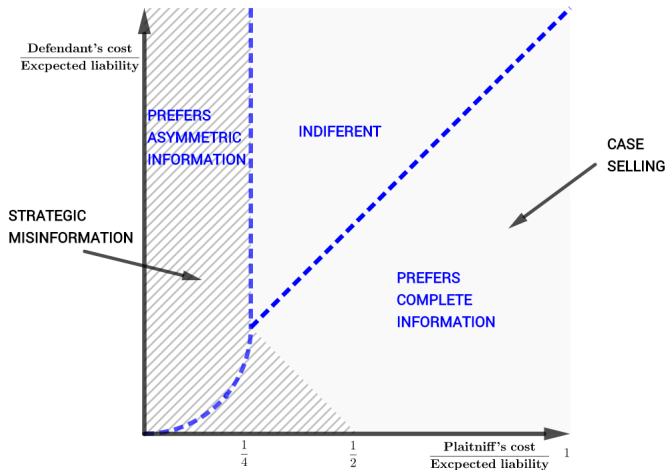
- **Being informed reduces credibility of the trial threat**
- Overpay the attorney for the trial!

Strategic Misinformation

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- Overpay the attorney for the trial!



Contract Selection and Strategic Expertise



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- I should not pay for the precision.

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