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Author: Charles J. Thomas

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11 Charles J. Thomas
12 Economic Science Institute & Argyros School of Business and Economics
13 Chapman University
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21 **Abstract**
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23 I develop a model of the multilateral negotiations that are frequently observed when one party
24 wishes to trade with one of several others offering potentially different amounts of surplus to be
25 split. The model’s intuitively sensible equilibrium outcomes differ qualitatively from those in
26 other models of these negotiations. I demonstrate one application of the model that provides
27 empirical predictions about how the choice of transacting via negotiations or auctions is affected
28 by factors including the number of trading partners, uncertainty when making the choice, and
29 costly participation in the trading process. More generally the model provides a tractable founda-
30 tion for analyzing strategic problems in settings featuring multilateral negotiations, including
31 investment, product design, mergers, and hold-up.
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36 **1 Introduction**
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39 Bilateral negotiations play an important role in economic theory and practice, but negotiations
40 often are multilateral in nature. For example, in a procurement setting a firm or government might
41 negotiate to purchase from one of several suppliers whose products differ on dimensions such as
42 quality or goodness-of-fit, such as Walgreen’s selection of AmerisourceBergen over Cardinal Health
43 to provide drug-wholesaling services to the massive drugstore chain.¹ Likewise, a takeover contest
44 might involve multiple potential acquirers who differ in their synergies or opportunity costs from
45 completing the transaction, such as the battle for control of Dell, Inc. amongst founder Michael
46 Dell, Blackstone Group LP, and investor Carl Icahn.² A high-end job candidate might have several
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57 **Keywords:** bargaining, auction, procurement, merger, hiring, investment
58 **JEL:** C78, D44, D82

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