

## The Two Dollar Game

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The Two Dollar Game is the opening game in Negotiation and Conflict Management.

It was developed in order to illustrate some basic tools of negotiation theory, in the simplest possible game.

Major topics include:

- The nature of **competition**—“**distributive**” or “**win-lose**” **bargaining**—in which the gain of one person is the loss of another. This kind of bargaining is contrasted with **collaborative** (also known as “**integrative**” or “**win-win**”) **bargaining** in which both parties win.

In real life it can be difficult to illustrate pure win-lose bargaining, because true win-lose situations and pure win-win situations are relatively rare. (Most negotiations are actually “**mixed motive**” **bargaining**, including both distributive and integrative elements. Pure win-lose bargaining is rare in part because intangible elements like “relationship” enter into most negotiations. Pure win-win is rare because resources are scarce).

The Two Dollar game therefore illustrates all three strategies in negotiations. The game initially appears to be pure win-lose. But because of secret instructions, and the nature of repeat negotiations with the same person, the game will become a mixed motive game, or even integrative, in the last two rounds, if players trade money for intangible benefits.

- The concept of a “**bargaining range**” which can be negative, if there is no room for settlement—or positive, if there is room for settlement. It also introduces the idea of a Resistance Point or a “**Reservation Point**” (**RP**—the point at which a person will either stop bargaining, or move their RP to achieve a settlement.

The idea of the RP also introduces the idea of a fallback position or **BATNA**—the Best Alternative To a Negotiated Agreement, since this best alternative usually defines where the RP will be. And it introduces the idea of a “**target**”—the amount that a person wishes to get in the process of bargaining.

- Major strategies that people adopt in negotiations: **Competition, Collaboration, Avoidance, Compromise, Accommodation, and Revenge**. These strategies are the same as those we teach in the negotiation theory model, and the first five are also in the Thomas Kilman Questionnaire.

- How a player might be able to “**diagnose**” **his or her own natural strategies** in negotiation (strengths in strategic play and also strategic weaknesses). People who instinctively love the game (and many students do love this game) usually have strong Competitive skills. Some players easily Compromise ---in fact they will do this even if they are told not to. Those who instinctively hate the game may have high Avoidance or Accommodation scores in the Thomas Kilman Questionnaire. People who “escape” the game and break the rules in order to create side deals often have Collaborative skills. And people who are vengeful on the third round begin to understand the Revenge strategy.

One can also possibly learn something about the natural strategies of the other player by observing how they play this game. The game is, thus, a quick diagnostic, in conjunction with the Thomas Kilman Questionnaire, for neophytes to learn their natural skills and vulnerabilities.

- An understanding of why “**splitting the difference**” is not the only way to divide what is on the table, and why it may or may not be the best way, in real life.

- The importance of **intangibles** (such as relationship, trust, friendly feelings) as well as **tangibles** (in this case money) as sources of value in a negotiation.

- The huge importance, in real life, of **repeated interactions with the same person—in building or losing a good relationship**. (We do not usually bargain just once with the same person. We often interact with the same person more than once. This means that even a simple game of dividing two dollars, in what is supposed to be a win-lose game, is not in fact purely competitive. Because of the effect of successive interactions, positive and negative feelings become part of the intangibles that are won or lost in the interaction.)

- The fact that one’s **strategy is not the same as one’s style** and demeanor. (One can be very competitive and very charming, or collaborative and aggressive, or competitive and aggressive, etc.)

- The importance of **ethics in negotiations** --- how comfortable am I with making up a story, and how do I feel about a negotiations partner who lies or threatens?

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**Here is how it works.** The class is divided into pairs. Every pair has a General Instruction, to divide \$2 between the two players in the pair. They are instructed that the game is pure win-lose—no side deals or subterfuges are allowed.

Although the players do not know this at the beginning, they will play the game three times. The first and second time they change partners. But the third time they are suddenly told they will play again with the same partner.

Players naturally first think, “This is easy, we will just divide the two dollars in half.

But each also has a Secret Instruction. The Secret Instructions tilt each player toward competition, accommodation, or compromise. The Secret Instructions deal with intangibles (my reputation) and tangibles (the amount of money that the player must win). Some Secret Instructions also deal with style and demeanor. (In addition, some students, although breaking the rules, will come up with collaborative side deals).

**Debriefing the game after the first round:** In some pairs there is a negative bargaining range because the players have each been told to get more than \$1. In some pairs there is a positive bargaining range because the “targets” add up to less than \$2. This situation illustrates the idea of bargaining ranges, reservation points (their BATNAs) and targets, and the reactions of the students will also help them diagnose their natural strategies, as spelled out above.

**After the second round:** The second round deals with intangibles. Here the Secret Instructions deal with style, and intangible values such as one’s reputation or distrust of the Other. This round also introduces the idea of **common tactics associated with common strategies**. For example one instruction requires the player to speak almost not at all—a very competitive tactic.

**After the third round:** The third round is a reprise of both tangible and intangible factors in negotiation. It also serves to show the **importance of a previous interaction** with the same person. In some pairs a player will deal kindly with an Other who dealt kindly in Round Two. In some pairs there will be an impulse towards revenge.

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The Two Dollar Game thus efficiently introduces some major elements of negotiation theory. It is debriefed in a journal written by each player (later read and commented upon by the professor). The player is instructed to notice what can be learned about oneself, and also about others.

Players are regularly surprised to find that some people love the game (or hate it), as distinguished from their own reactions, and are regularly surprised that there are several available negotiation strategies. (Most neophytes are familiar with only one or two strategies). People are regularly surprised at the importance of a previous negotiation.

Many students are surprised at the amount of emotion engendered by an obviously simplistic game. This last is an important point because of the real-life importance of emotions in negotiation.

The game is easily debriefed a second time, later on, in terms of Sources of Power, a set of theoretical ideas introduced in the following class. For example, rewards, sanctions, force and the threat of force, relationship, BATNA, moral authority, and commitment power can all play a role in the Two Dollar Game. Students also regularly and instinctively “invent” legitimate authority, expertise and information power to bolster their stories.