ABSTRACT
Can sellers credibly signal their private information to reduce frictions in negotiations? Guided by a simple cheap-talk model, we posit that impatient sellers use round numbers to signal their willingness to cut prices in order to sell faster, and test its implications using millions of online bargaining interactions. Items listed at multiples of $100 receive offers that are 5%-8% lower but that arrive 6-11 days sooner than listings at neighboring “precise” values, and are 3%-5% more likely to sell. Similar patterns in real estate transactions suggest that round-number signaling plays a broader role in negotiations. JEL classifications: C78, D82, D83, M21.

Joint work with: Thomas Blake and Steven Tadelis.

BIO
Matt Backus is an Assistant Professor at Columbia Business School. He received his Ph.D. from the Economics Department at the University of Michigan at Ann Arbor, where he focused on topics in industrial organization. His research interests include the determinants of firm-level productivity, estimation of consumer demand using data from auction-based marketplaces, and the role of cheap-talk communication in bargaining. He is also interested in the application of methods from machine learning and computer science in econometric analysis. More information can be found on his website.