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# Artful Paltering: The Risks and Rewards of Using Truthful Statements to Mislead Others

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**Artful Paltering:**

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**Abstract**

We document a common type of deception in interpersonal contexts: *paltering*, the active use of truthful statements to convey a mistaken impression. Paltering is distinct from lies of commission in that it involves only truthful statements. It is distinct from lies of omission in that it involves actively misleading targets rather than passively omitting to share relevant information. A pilot study reveals that paltering is a common negotiation tactic. Six experiments demonstrate that paltering in negotiation can help palterers claim value, but can also increase the likelihood of impasse and harm palterers' reputations. Indeed, targets perceive paltering as the ethical equivalent of making false statements. At the same time, palterers – and outside observers – perceive paltering as more ethical than targets do. We add to the growing literature examining the antecedents and consequences of deception, demonstrating the prevalence and consequences of paltering in negotiation.

*Keywords:* Negotiation; Deception; Paltering; Risk; Lying

Jim Lehrer: *"No improper relationship" – define what you mean by that.*

President Bill Clinton: *Well, I think you know what it means. It means that there is not a sexual relationship, an improper sexual relationship, or any other kind of improper relationship.*

Jim Lehrer: *You had no sexual relationship with this young woman?*

President Bill Clinton: *There is not a sexual relationship – that is accurate.*

NewsHour with Jim Lehrer, January 21, 1998

In the above exchange, President Clinton responded that there “is” not a sexual relationship between him and his intern, Monica Lewinsky. As the Starr Commission later reported, there “had been” a sexual relationship between them – but it had ended months before. Though at the time of the interview President Clinton was technically making a true statement in saying that there “is” not a relationship, Jim Lehrer and his viewers can be forgiven for mistakenly interpreting that statement as meaning that there had not been a relationship. It is a subtle linguistic difference, and President Clinton was clearly hoping its subtlety would escape notice. Clinton was paltering: making true statements with the active intention of creating a false impression. In seven studies, we explore the prevalence of this form of deception in negotiations, exploring the rewards of the strategy, and – as Clinton’s later impeachment suggests – its risks as well.

Deception pervades human communication and interpersonal relationships (Bok, 1978). In a diary study, DePaulo and her colleagues (1996) found that people tell, on average, one or two lies per day. Deception poses a particularly serious challenge in negotiations (Bazerman, Curhan, Moore, & Valley, 2000; Boles, Croson, & Murnighan, 2000; Koning, Van Dijk, Van Beest, & Steinel, 2010; Lewicki, 1983; Olekalns & Smith, 2009; Gaspar & Schweitzer, 2013; Schweitzer & Croson, 1999; Tenbrunsel, 1998; Shell, 1991). Negotiations are characterized by

information dependence, and negotiators can often gain an advantage by misleading their counterparts (Lewicki & Robinson, 1998; O'Connor & Carnevale, 1997).

To date, negotiation and management scholars have studied deception by comparing truthful statements, dishonest statements (i.e., lies of commission), and misleading omissions (lies of omission). Past research has substantially advanced our understanding of deception, but has neglected the study of a surprisingly common form of deception: paltering. Rather than misstating facts (lies of commission) or failing to provide information (lies of omission), many people engage in *paltering*, the active use of truthful statements to convey a mistaken impression (Schauer & Zeckhauser, 2009). Though the underlying motivation to deceive a target may be the same, paltering is distinct from both lies of commission and lies of omission. Unlike lies of commission, paltering employs the use of *truthful* statements; unlike lies of omission, paltering involves the proactive use of truthful statements to mislead a counterpart.<sup>1</sup>

We argue that paltering is a particularly pernicious form of deception. Opportunities to lie by omission are limited, and many individuals refrain from deception out of a desire to maintain an honest self-image (Aquino & Reed, 2002). In addition, many people who tell lies experience and express anxiety and guilt (Ekman, 1980; Ekman & Friesen, 2003). Self-image concerns, guilt, and anxiety limit both the frequency and the credulity of lies of commission and lies of omission. Thus, they inhibit deception. Negotiators who palter, however, may preserve an honest self-image and thus lack this internal constraint on deception. This self-image also helps them project an honest impression. As a result, individuals may deceive both more frequently and more effectively by paltering than by using lies of commission or omission.

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<sup>1</sup> Lies of omission tend to be characterized as the passive failure to disclose relevant true information. Paltering involves a similar failure to disclose relevant true information, but it also involves more active selective disclosure of other true information – that the discloser expects will lead the recipient to a false conclusion.

In one pilot study and six experiments, we investigate the use of paltering in negotiation. Across different paradigms and different participant samples, we show that paltering can help negotiators claim value in distributive negotiations. Paltering, however, does incur significant costs. It increases the likelihood of an impasse and risks reputational harm. Though deceivers readily justify their use of paltering as benign, targets of paltering judge it much more harshly when it is exposed; they perceive it to be dishonest.

Our investigation contributes to existing work in several ways. First, our research develops our understanding of deception. Whereas prior work conceptualized deception as dishonest statements or misleading omissions, we identify a distinct and important type of deceptive behavior: paltering, the use of honest but misleading statements. Second, we contribute to the negotiation literature by documenting a prevalent behavior that impacts the negotiation process, negotiated outcomes, and negotiator reputations. Importantly, we find evidence of a deeply flawed mental model. Negotiators who engage in paltering fail to anticipate how others will perceive their behavior.

### **Deception in Negotiation**

Deception is a fundamental element in human interactions (O'Sullivan, 2003). Though people sometimes deceive others for prosocial reasons (e.g., "Your haircut looks great" or "I enjoyed reading your manuscript"), self-serving deception typically advances the deceiver's interests at the expense of the target. This is particularly true in negotiations, where individuals can often gain a strategic advantage by misleading their counterpart (Anton, 1990; Aquino, 1998; Carr, 1968; O'Connor & Carnevale, 1997; Schweitzer & Croson, 1999; Schweitzer et al., 2005). Deception is difficult to detect (Bond & DePaulo, 2006; Ekman & O'Sullivan, 1991; Ekman, O'Sullivan, & Frank, 1999). The combination of securing an advantage and unlikely detection



makes deception a common tactic in negotiations (Murnighan, Babcock, Thompson, & Pillutla, 1999); Schweitzer & Croson, 1999). In one study, Murnighan et al. (1999) found that over one-third of experienced negotiators engaged in deception. In a related study, Aquino and Becker (2005) found that few negotiators (2%) told the truth when they had both the incentive and the opportunity to mislead their counterpart.

Much of the existing work on deception has focused on people's ability to detect lies (e.g., Ekman & Friesen, 1969; Vrij, 2000) and on factors that promote and inhibit the use of deception in negotiation. For instance, Tenbrunsel (1998) found that greater returns from deception increased its use as did the expectation that one's counterparty would use deception. Related research found that individuals who approach negotiation with a competitive mindset lie more often and more egregiously than those who approach negotiation with a cooperative orientation (Schweitzer et al., 2005).

A few negotiation studies have distinguished among different types of lies. For example, scholars have distinguished between lies about material facts, which can constitute fraud, from less serious lies, such as lies about one's walk-away point (see Anton, 1990; Lewicki, 1983).<sup>2</sup> Other work has distinguished lies of commission from lies of omission (Bok, 1978; O'Connor & Carnevale, 1997; Spranca, Minsk, & Baron, 1991). Lies of commission involve the use of false statements, whereas lies of omissions involve the omission of relevant information. In general, lies of commission are more serious than lies of omission (Shell, 1991; Spranca et al., 1991), and people appear to be more willing to lie by omission than commission. When individuals are not

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<sup>2</sup> For instance, Lewicki and his colleagues (see Lewicki & Robinson, 1998; Lewicki & Spencer, 1991) identified five categories of questionable negotiation tactics: (1) traditional competitive bargaining (e.g., high demands, low concessions); (2) misrepresentation of information (i.e., misleading arguments); (3) bluffing (i.e., misleading intentions); (4) information collection (i.e., trading favors or gifts for information); and (5) influencing an opponent's professional network. – A lie about a walk-away point is less RISKY for at least two reasons: (a) it can never be proven that one has lied, and (b) such misrepresentations are almost expected in negotiations.

asked about a critical issue, they often omit information; when they are asked a direction question, most reveal the critical information, but some then resort to lies of commission (Schweitzer & Croson, 1999; see also Olekalns & Smith, 2009). For example, in a negotiation simulation involving the sale of a computer with a faulty hard drive, Schweitzer and Croson (1999) found that buyers who did not ask direct questions were never informed about the faulty hard drive. Most investigations of deception have focused on lies of commission, because they are easier to document and measure than lies of omission (see Gaspar & Schweitzer, 2013 for a review).

The present research investigates a different type of deception. In contrast to misstated facts (lies of commission) or omitted information (lies of omission), we consider paltering, an active form of deception that involves telling truthful statements that purposefully convey a mistaken impression. As an illustration, consider a recruiter interested in hiring a new marketing manager. After carefully sifting through more than 100 applications, the recruiter identifies a small set of candidates with suitable backgrounds to interview. After conducting the interviews, the recruiter decides that only one candidate, Claire, has the requisite skills and qualifications for the job. In a follow-up conversation with Claire, a paltering recruiter could convey the mistaken impression that he has strong alternatives (and hence more leverage) than he actually does. For example, he might say, “There is a great deal of demand for this position. We received more than 100 résumés with many qualified candidates.” Though these statements are truthful, they convey the mistaken impression that other qualified candidates could be offered the job. In contrast, a lie of commission would be an untruthful statement, such as, “There are five qualified candidates who could fill this position.” Or, lying by omission, the recruiter might change the subject if Claire asked about alternative candidates, failing to correct any mistaken impression she might

have formed on her own. For lies of omission to succeed, the deceiver neglects relevant information that would change a target's mistaken belief. For paltering to succeed, the deceiver not only neglects relevant information, but also fosters a mistaken belief in the target through the artful use of truthful statements.

Like lies of commission, paltering is an active form of deception. In contrast to lies of commission, however, paltering may allow deceivers to maintain a moral self-image, because the individual statements they use are truthful. As a consequence, deceivers may palter more frequently and more effectively than they lie by commission. In addition, the self-perception of someone who palters may diverge sharply from the target's perceptions of them. We hypothesize that in distributive negotiations, negotiators will find paltering more attractive than lying by commission even though lying would enable individuals to claim greater resources in expectation (*Hypothesis 1*).

### **The Costs and Benefits of Paltering**

We expect negotiators who palter to gain at least a short-term benefit by misleading their counterpart. Negotiations are characterized by information dependence (Kelley & Thibaut, 1969); to reach agreement, negotiators need to exchange information. At the same time, most negotiators seek to claim as much value for themselves as possible. By misleading a counterpart, negotiators can influence a target's decision-making, and increase their own gains at the expense of the target's gains (Schweitzer et al., 2005). Thus, at least in the short run, deception can enable negotiators to gain an advantage (Chertkoff & Baird, 1971) and claim a larger share of total profit (O'Connor & Carnevale, 1997; Schweitzer, Brodt, & Croson, 2002). We expect paltering to be a particularly effective form of deception because the use of active, truthful statements is likely to both distort a target's beliefs and to be very difficult to detect. Thus, in distributive

negotiations we expect paltering, compared to telling the truth, to enable negotiators to claim greater profits in expectation (*Hypothesis 2*).

Paltering, however, may also increase the likelihood of impasse. By distorting the information sharing process, paltering deprives targets of complete and accurate information. The absence of accurate information has been shown elsewhere to raise the likelihood of an impasse (Thompson, 1991; Pinkley, Griffith, & Northcraft, 1995). As a result, we hypothesize that relative to truth tellers, negotiators who palter increase the likelihood of reaching an impasse (*Hypothesis 3*).

We also postulate that paltering may harm relationships. Once negotiations conclude, targets of deception often learn new information that reveals prior deception (Schweitzer, 2001). Like other forms of revealed deception, revealed paltering has the potential to harm interpersonal relationships and undermine trust (Bies & Moag, 1986; Lewicki et al., 1994; McCornack & Levine, 1990; Shapiro, 1991; Werth & Flannery, 1986; Schweitzer, Hershey, & Bradlow, 2006). Self-interest often guides the way individuals perceive behavior (Uhlmann, Pizarro, Tannenbaum, & Ditto, 2009; Kronzon & Darley, 1999). For example, people may engage in morally questionable behaviors but rationalize their behavior in a way that allows them to think of themselves as moral (Bandura, 1991; Mazar, Amir, & Ariely, 2008). In the case of paltering, self-impressions are likely to diverge from a target's impressions: A palterer may focus on the veracity of her statements, whereas a target may focus on the mistaken impression that was conveyed. As a result, palterers may perceive their behavior to be moral even as targets perceive palterers to be dishonest and immoral. That is, if paltering is discovered or revealed, we expect negotiators to perceive their own paltering as less dishonest than their counterparts do (*Hypothesis 4*).

## **The Present Research**

We investigate paltering in a pilot study and six experiments. We first conducted a pilot study to show that experienced negotiators palter frequently and that they believe that paltering is ethical and can help them reach a better deal. In Studies 1a and 1b, we test our first hypothesis and find that people find paltering more attractive than lying by commission. In Study 2, we tested hypotheses 2 and 3; we find that negotiators who palter are less likely to reach agreement than those who tell the truth, but that negotiators who palter and reach agreement claim more value than those who do not. In Study 3, we investigate paltering within a negotiation context with a strong incentive to avoid impasse. In this case, paltering substantially increased value claiming compared to telling the truth. In Study 4a and 4b, we investigate the reputational consequences of paltering. In Study 4a, we find that targets of paltering perceive paltering to be as unethical as lying by commission. Study 4b, shows, however, that outside observers judge paltering much more mildly.

### **Pilot Study: Negotiation Executives Palter**

Our pilot study explored the use of paltering among experienced negotiators. Specifically, we asked executives about their own use of paltering, whether they believe paltering is more honest than lying, and whether or not they believe that paltering will help them reach a better deal.

### **Method**

**Participants and design.** Participants for this study were enrolled in an executive education course at Harvard Business School that focused on advanced negotiation strategies. They were all mid- to senior-level managers from a broad cross-section of industries. Sixty-five executives, all of whom must negotiate as part of their normal activities, participated in the study. Because we wanted to keep the questionnaire short, we did not collect demographic

information. Participants were not compensated.

All participants completed a three-question survey that included the following description of what it means to palter:

*Sometimes during negotiations people say things that are factually true but create an impression in their counterparty that is false. This is called “paltering.”*

*For example, imagine that over the last 10 years your sales have grown consistently and that next year you expect sales to be flat. In order to convey the impression that sales will continue to grow you might palter by saying “over the last 10 years our sales have grown consistently” and not highlight your expectation that sales this coming year will be flat.*

We then asked participants three questions: “Would you say that when you negotiate you palter about at least one topic in most of your negotiations, in some of your negotiations, or in few of your negotiations?” “When you do palter, do you think you are being honest or dishonest?” and “When you do palter, do you do so because you think it will allow you to get a better deal?”

## **Results and Discussion**

A large majority of the executives (66%) reported paltering in most (22%) or some of their negotiations (45%), whereas only 34% reported paltering in just a few of their negotiations. Eighty percent of all the executives reported that when they do palter in negotiations, they think of their paltering as honest. Finally, 92% of participants reported that they palter in order to get a better deal.

Together, these results show that paltering is common among experienced negotiators, and suggests as well that experienced negotiators believe it is both ethically acceptable and strategically advantageous.

### **Study 1a: Paltering is More Attractive Than Lying**

In Study 1a, we contrast paltering with lying by commission to answer the question: When participants are incentivized to mislead their counterpart, are they more likely to palter than lie by commission.

## **Method**

**Participants.** We recruited 261 participants on Mechanical Turk using an announcement that offered to pay them \$0.40 and required that they be located in the United States. In addition to their base pay, participants could earn a bonus payment.

**Design.** We told participants to imagine that they were trying to sell a used car and that if they succeeded in selling the car they would receive \$1.00 in bonus compensation. We told participants that they were motivated to make the sale and that the following two statements are true: “Twice in the last year this car would not start and both times you had to have a mechanic fix it” and “This car drives very smoothly and is very responsive. Just last week it started up with no problems when the temperature was -5 degrees Fahrenheit.”

A potential buyer asks, “Has this car ever had problems?” We randomly assigned participants to one of two conditions. In each condition, participants chose to send one of two messages: an honest message or a misleading message. In the Lie by Commission condition, participants chose between the truth (“Twice in the last year this car would not start and both times I had to have a mechanic fix it”) and a lie of commission (“This car has never had problems”). In the Palter condition, participants chose between the truth (“Twice in the last year this car would not start and both times I had to have a mechanic fix it”) and a palter (“This car drives very smoothly and is very responsive. Just last week it started up with no problems when the temperature was -5 degrees Fahrenheit.”).

Before the participants made a choice, they were told that their answer would affect their probabilities of success. In either condition, they were told that if they chose to tell the truth they would have a 30% chance of selling the car, and therefore a 30% chance of receiving the \$1.00 bonus compensation. They were also told that participants who misled their counterpart in either condition would have a 60% chance of selling the car and receiving the \$1.00 bonus compensation. A random number generator determined whether or not participants made the sale. Across the two conditions, participants had an expected value of \$0.60 for misleading their counterpart and \$0.30 by telling the truth.

## **Results**

Of the participants in the Lie by Commission condition, 44% chose to tell the truth, and 56% chose to lie by commission. Of the participants in the Palter condition, only 27% chose to tell the truth, and 73% chose to palter. When given the opportunity to either lie by commission or tell the truth, or palter or tell the truth, people were far less likely to tell the truth when palter rather than lie was the alternative,  $\chi^2(1) = 8.58, p = .003$ .

## **Discussion**

Strongly supporting Hypothesis 1, we find that people are much more willing to palter than to lie by commission. The incentives and ease of deception were identical in the two conditions. Thus, this study offers a direct test of our first hypothesis.

### **Study 1b: Paltering Is More Attractive Than (More Lucrative) Lying**

In Study 1b, we extend our investigation of paltering by contrasting the willingness to lie by commission with the willingness to palter. In this study, we changed the incentives for lying by commission and paltering, and again document a much greater willingness to palter.

## **Method**



**Participants.** We recruited 319 participants via Mechanical Turk using an announcement that offered to pay them \$0.40 and required that they be located in the United States. The data was collected on two separate days.

**Design.** We used the same design and procedure as we used in Study 1a, but with one difference. Whereas in Study 1a the payoffs for lying by commission and paltering were the same (a 60% likelihood of making the sale), in Study 1b the payoffs for lying by commission and paltering differed.

In the Lie by Commission condition, participants had a 90% chance of selling the car and receiving the \$1.00 bonus compensation if they lied by commission. In the Palter condition, participants had only a 60% chance of selling the car and receiving the \$1.00 bonus compensation if they paltered. As in Study 1a, a random number generator determined whether or not participants “made the sale” and earned the bonus payment. That is, participants in the Lie by Commission condition reaped an expected value of \$0.90 if they chose to lie by commission. Participants in the Palter condition reaped an expected value of \$0.60 if they chose to palter. As in Study 1a, participants had a 30% chance of selling the car and earning the \$1.00 bonus payment if they told the truth. Thus, the expected value of telling the truth was \$0.30.

## **Results**

Fifty-two percent of participants in the Lie by Commission condition chose to tell the truth, and 48% chose to lie by commission. In contrast, 39% of the participants in the Palter condition chose to tell the truth; 61% chose to palter. In this study, participants were more likely to palter than to lie by commission, even though the expected value of lying by commission was higher, controlling for the two rounds of data collection,  $F(3) = 4.87$ ,  $p = .028$ .

## **Discussion**

In Study 1a, we found that participants were more willing to palter than to lie by commission when the payoffs were identical. In Study 1b, we found that paltering was still more attractive than lying even when its payoff was half as high. (Paltering gains a 30% chance of sale, whereas lying gains a 60% chance.) In short, we find that paltering is much more attractive than lying by commission.

This finding is particularly noteworthy given that this experiment – like subsequent experiments – was conducted in the highly anonymous environment of the Internet (specifically Mechanical Turk). Many usual factors that would deter lying were not present: participants did not know the identity of their bargaining partners, were not in the physical presence of their bargaining partners, and had no chance to encounter their bargaining partners again.

### **Study 2: Paltering is Risky**

In our pilot study, experienced negotiators claimed that paltering helped them attain greater expected surplus in negotiation. In Study 2, we explore whether this claim is substantiated in a negotiation experiment.

#### **Method**

**Participants.** We recruited participants via Amazon's Mechanical Turk using an announcement that offered to pay participants between \$3 and \$5 and required that they be located in the United States. We collected data from 200 valid participants (51% female;  $M_{age}=32$ ).

**Design and procedure.** This study linked negotiators in an online chat session embedded in the Qualtrics survey platform. The technical back end was an expanded version of the software initially developed by Brooks and Schweitzer (2011). We randomly assigned

participants to the role of Buyer or Seller. For participants in the Buyer role, we randomly assigned them to one of two experimental conditions: Paltering or Honest.

Participants first answered demographic questions and then read background information for the Hamilton Real Estate negotiation (Malhotra, 2010). In this negotiation, a Seller offers to sell a property to a Buyer. The zone of agreement ranges from \$38 million to \$60 million. The Buyer knows that zoning laws will soon change, and that the property could then be developed for commercial rather than residential purposes. This zoning change would make the property much more valuable. The Seller lacks this information. Buyers read a description of the “public knowledge” to which Sellers had access; it did not explicitly state that Sellers may lack this information, but the description did imply it.

In this negotiation, participants negotiate over the single issue of price for the property. That is, the negotiation is a single-issue, distributive negotiation.

In addition to their background information, we gave Buyers and Sellers additional instructions. We instructed Sellers to ask their Buyer two specific questions during the negotiation: “Are you going to use the property for commercial development?” and “Are you negotiating with another party as well?”

We instructed Buyers to employ one of two strategies in response to an anticipated question about their intended use of the property. In the Paltering condition, we instructed Buyers to palter; specifically, we instructed buyers to avoid answering a property development question directly, but still to provide a factually correct answer (e.g., by answering “As you know, we have only ever done residential development”). In the Honesty condition, we instructed Buyers to “give an accurate answer to this question by answering it directly and without lying.”

We informed all participants that they would have eight minutes to complete the negotiation and that they would earn a bonus based on how well they performed in the negotiation; Sellers would earn \$0.25 for every \$1 million they received above \$38 million; Buyers would earn a bonus of \$0.25 for every \$1 million they paid under \$60 million. In a pilot study, we found that eight minutes was sufficient for most negotiators to reach an agreement.

After reading materials, participants answered attention and comprehension check questions. All participants then read all the correct answers, whether they answered the comprehension check questions correctly or incorrectly. We then directed participants to the chat session in which they negotiated with their counterpart. We gave participants a two-minute warning before the allotted eight minutes of negotiation was complete. At the end of the eight minutes, we told participants to complete the negotiation immediately. In reality, we gave participants who were still negotiating after eight minutes an additional two minutes before the session conclusively terminated.

At the conclusion of the negotiation, participants indicated whether or not they had reached a deal and reported their final negotiated price. As a manipulation check, we asked Sellers what they believed the Buyers' intentions were for developing the property. We also asked Buyers how honest they were in revealing their intended use of the property; on a seven-point scale that ranged from very dishonest to very honest.

Finally, we informed Sellers that Buyers anticipated that the property would be rezoned for commercial development and we asked them to rate, on a seven-point scale, how honest their Buyer had been.

**Data exclusions.** A strength of Mechanical Turk samples is their broad representation of adult populations. Compared to lab studies, our sample population is older, more likely to be

employed, and more racially, politically, and socio-economically diverse (Buhrmester, Kwang, and Gosling, 2011). This sample, however, lacked a common computer platform and software errors and mismatches reduced our sample size.

We recruited 300 participants. Due to timing and programming constraints, we were unable to pair 14 participants and to record data for 24 dyads due to programming error. We excluded an additional 11 dyads for the following reasons: comprehension (e.g., at least one of the pair members failed 40% or more of the comprehension-check questions), disagreement (e.g., the parties failed to agree about the agreement they had reached), participation in a prior pilot (e.g., one member had participated in the pilot study of this experiment). We report results from 98 dyads. Of these, 90 dyads reached agreement and 8 reached an impasse.<sup>3</sup>

## Results

**Manipulation checks.** Our manipulation influenced Sellers' perceptions of Buyers' intentions. Compared to Sellers in the Honesty condition, Sellers in the Palter condition were more likely to believe, mistakenly, that their counterpart planned to develop a residential property (83% v. 38%,  $\chi^2(1)=21.39$ ,  $p<.001$ ). In addition, Buyers in the Palter condition rated themselves as less honest ( $M=5.0$ ,  $SE=1.6$ ) than Buyers in the Honest condition ( $M=6.1$ ,  $SE=1.0$ ),  $t(95)=4.10$ ,  $p<.001$ .

Two research assistants coded all the negotiation transcripts, including those excluded from the studies. Coders were blind to the condition as they coded for the following: Buyer Lied about his intentions for the property when asked; Buyer Paltered (told true statement, but knowingly led (or tried to lead) Seller to false conclusion) about his intentions for the property when asked; Buyer did not give an answer about his intentions for the property, though Buyer

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<sup>3</sup> Supplemental Online Materials show that these inclusion/exclusion decisions do not affect the results of the analyses reported below.

was asked by Seller; Buyer was not asked by Seller and did not state his intentions for the property; Buyer told the truth about his intentions for the property. The coders rated 50 of the same transcripts and had nearly perfect reliability, Cronbach's Alpha = .99.

Table 1 reveals that 81% of Buyers in the Palter condition paltered and 51% of Buyers in the Honest condition were honest. Notably, 20% of those in the Honest condition paltered.

**Table 1**

Actual behavior by condition, Study 2

	<b>Palter</b>	<b>Honest</b>	<b>Lie</b>	<b>Not Asked</b>	<b>Other</b>
<b>Paltering condition</b>	81% (38)	4% (2)	0% (0)	6% (3)	9% (4)
<b>Honest condition</b>	20% (10)	51% (26)	6% (4)	16% (8)	6% (3)

**Impasse.** Negotiation dyads in the two conditions differed in their rates of reaching an impasse.

Supporting Hypothesis 3, participants in the Palter condition were significantly more likely to reach an impasse than those in the Honest condition (15% vs. 2%),  $\chi^2(1)=5.46, p=.019$ . This analysis compares the negotiation outcomes based on what Buyers were instructed to do. An alternative analysis would involve comparing rate of impasse based on Buyers' "actual" responses. This entails comparing the rate of impasse among all dyads in which the Buyer is coded as having paltered (N = 48) to all dyads in which the Buyer is coded as having been honest (N = 28). See Table 1.5. That is, it looks at actual responses. That analysis shows a similar directional difference in the likelihood of impasse, though it is not statistically significant, Chi Square(1) = .539, p=.46. We note that the actual response analysis is biased because Buyers who were instructed to be honest and chose to palter are a different kind of negotiator than Buyers who were instructed to palter and complied. Conversely, Buyers who were instructed to palter but were honest are different than Buyers who were instructed to be honest and complied.

**Table 1.5**

Impasse Frequency, Instructed versus Actual responses

		Instructed to:		Eligible Dyads*
		Palter	Honest	
Actual response:	Palter	6	0	48
	Honest	1	1	28
Total Dyads		47	51	

\* “Eligible Dyads” denotes dyads in which the Seller asked the Buyer about his/her intentions for the property. “Total Dyads” denotes all dyads assigned to a condition.

**Profit.** Of Buyers who reach an agreement, those in the Palter condition earned a marginally significantly \$1.6 million more in profit (15% more) than those in the Honest condition,  $t(90)=1.85$ ,  $p=.067$ . This result supports Hypothesis 2. When we include dyads that reached an impasse, we find no difference in profit earned across the Palter and Honest condition (\$10.6M v. \$10.5M,  $t(96)=.090$ ,  $p=.93$ ).

**Evaluation of Buyers.** After the negotiation concluded, Sellers learned that the Buyer anticipated that the property would be zoned for commercial development. Sellers in the Palter condition rated their Buyer counterpart to be less honest ( $M=2.8$ ,  $SD=1.5$ ) than did Sellers in the Honest condition ( $M=4.6$ ,  $SD=1.8$ ),  $t(95)= -5.34$ ,  $p<.001$ .

Buyers in the Palter condition rated their actions as less honest ( $M=5.0$ ,  $SD = 1.6$ ) than did Buyers in the Honest condition ( $M=6.1$ ,  $SD = 1.0$ ). Sellers’ evaluations of Buyers’ honesty, however, was much harsher. Compared to Sellers in the Honesty condition, Sellers in the Palter

condition rated their Buyer's integrity much lower ( $M=2.8$  v.  $M=5.0$ ,  $t(45)=-7.02$ ,  $p<.001$ ).

Supporting Hypothesis 4, Buyers in this study perceived their own paltering as somewhat dishonest, but Sellers perceived Buyer's paltering as very dishonest.

## **Discussion**

These findings identify paltering as a risky strategy. Although paltering may increase a negotiator's surplus, paltering increases the risk of impasse and, if discovered, causes reputational harm. Though we cannot identify the specific cause of each impasse, it is possible that Sellers did not trust Buyers in the Palter condition. This account is consistent with research showing that people are willing to incur personal costs to punish dishonest people (e.g., Gino, Shu, & Bazerman, 2010). Our findings also identify the potential for reputational harm from the use of paltering if the paltering target learns the truth. Reputation and trustworthiness are critical elements to effective negotiations (Lewicki, McAllister, & Bies, 1998; Valley et al., 1998), and paltering places both at risk. We highlight that when Buyers were explicitly instructed to be honest, 20% paltered anyway. This underscores negotiators' willingness to palter. In Study 3, we extend our investigation into the consequences of paltering.

### **Study 3: Paltering Is Profitable When Impasse Is Unlikely**

In Study 3, we extend our investigation into the consequences of paltering in negotiation. Specifically, we investigate the profitability of paltering when impasse is made less likely by making it more costly. That is, not only is a deal lost, but a bonus is lost.

## **Method**

**Participants.** We recruited participants via Amazon's Mechanical Turk with an announcement that offered to pay participants \$3 and required that they be located in the United



States. Of the 202 valid participants included in the analyses who completed the exit questions, 41% were female, with an average age of 32.

**Design.** We used the same design and procedure as we used in Study 2, with four modifications. First, to increase the likelihood that the negotiation dyads could come to an agreement, we gave negotiators 10 minutes to complete the negotiation. Second, to increase the incentive for reaching agreement, we told each participant that they would receive a \$0.50 bonus for reaching an agreement, regardless of the agreement's value. This bonus was in addition to whatever bonus they earned based upon their agreement. Third, to emphasize that the agreement had to exist within the bargaining zone, participants' bonuses were contingent upon agreeing to a price within their budget constraint. Finally, at the end of the negotiation, we modified one of our post-negotiation questions to ask Buyers whether or not they evaded the Sellers' questions.

**Data exclusions.** We recruited 431 participants. We were unable to collect data from 31 dyads due to programming error, and using the same exclusion criteria we used in Study 2, we report data for 156 dyads. Of these dyads, all but one reached an agreement. Thus, the increased likelihood of impasse, one of the disadvantages of paltering, played a very minor role.

## Results

**Manipulation checks.** Compared to Sellers in the Honest condition, Sellers in the Palter condition were more likely to believe that their counterpart Buyer planned to develop a residential property (84% v. 46%,  $\chi^2(1)=24.78$ ,  $p<.001$ ). Buyers in the Palter condition reported evading the Sellers' questions about their intended use of the property (4% said they were truthful); in contrast, Buyers in the Honest condition reported being truthful when asked about their intentions (88% said they were truthful),  $\chi^2(1)=93.01$ ,  $p<.001$ .

Two research assistants coded the negotiation transcripts using the same scheme as the one we used in Study 2; as before, reliability was high (Cronbach's  $\alpha = .99$ ). Table 2 shows that 66% of Buyers in the Palter condition paltered, whereas 49% of Buyers in the Honest condition were honest. Notably, 12% of those in the Honest condition paltered.

**Table 2**  
Actual behavior by condition, Study 3

	<b>Palter</b>	<b>Honest</b>	<b>Lie</b>	<b>Not Asked</b>	<b>Other</b>
<b>Paltering condition</b>	66% (52)	3% (2)	19% (15)	13% (10)	0% (0)
<b>Honest condition</b>	12% (9)	49% (38)	25% (19)	10% (8)	4% (3)

**Impasse.** A perhaps surprising result is that the \$0.50 bonus for reaching a deal eliminated all but one impasse (in the Honest condition). The treatment conditions did not differ on this measure,  $\chi^2(1)=1.03$ ,  $p=.310$ . Supplemental Online Materials provide the actual response analysis for this study, which are substantively identical.

**Profit.** Supporting hypothesis 2, Buyers in the Palter condition earned \$2.5 million more in profit than did those in the Honest condition (\$13.0 M compared to \$10.5 M),  $t(154)=3.22$ ,  $p=0.002$ . This represents a 24% increase in profit for Buyers in the Palter condition compared to Buyers in the Honest condition. Excluding pairs who were unable to reach an agreement, Buyers in the Palter condition earned \$2.4 M more in profit than those in the Honest condition (\$13.0 M as compared to \$10.6 M),  $t(153)=3.07$ ,  $p=.003$ .

**Evaluation of Buyers.** After we revealed to Sellers that the Buyer anticipated that the property would be zoned for commercial development, those in the Palter condition rated their Buyer counterpart as less honest ( $M=2.9$ ,  $SD=1.7$ ) than Sellers in the Honest condition ( $M=4.3$ ,  $SD=1.9$ ),  $t(154)=5.11$ ,  $p<.001$ . Whereas in Study 2 Buyers rated their own honesty, in Study 3 we did not ask them to make such a rating.

## Discussion

Study 3 reveals that paltering can increase profit. Though we found in Study 2 that paltering can increase impasse rates, in this study we enhanced the incentives for negotiators to reach an agreement. In this case, paltering was highly effective. Participants we instructed to palter earned 24% more profit than did those we instructed to tell the truth. Still, consistent with Study 2, this study reveals reputation risk from paltering. After the target of paltering learned the truth, targets judged the palterer to be dishonest. As in Study 2, a sizable fraction of those explicitly instructed to tell the truth still chose to palter (12%). This again underscores negotiators' willingness to palter even when explicitly instructed to be truthful.

### Study 4a: Counterparts Evaluate Paltering Severely

In Study 4a, we investigate the reputational consequences of paltering, from the perspective of the palterer's target. We build on results from Studies 2 and 3, to examine how counterparts perceive paltering – when it is disclosed to them – and how a reputation for paltering impacts opportunities for future negotiations.

## Method

**Participants.** We recruited 160 individuals (61% male;  $M_{age}=30$ ,  $SD=8.96$ ) via Amazon's Mechanical Turk. We restricted our sample to participants in the United States, and we offered participants \$0.50. Five participants failed an attention check that occurred before we assigned them to a condition, leaving a final sample of 155 participants.

**Procedure.** After passing an attention check, we presented participants with an adapted version of the materials we used in Study 2. Instead of asking participants to negotiate as a Buyer or Seller, we asked participants to imagine being responsible for the sale of a large piece of property. We explained that the land would be worth 1.5 to 2 times as much if it were developed

for commercial use, and that there was probably no interest for the property among residential developers. Participants also read that they would soon meet with a potential buyer to negotiate a deal for the sale of the property, and that the buyer represents a company that invests primarily in residential properties.

We then asked participants to imagine that during their negotiation they asked the following question: “Do you plan to develop the property for residential use?” Following this question, they received one of the following three replies: In the Palter condition, the Buyer replied, “I have only ever developed properties for residential use before.” In the Honest condition, the Buyer replied, “No, I intend to develop the property for commercial use.” In the Lie by Commission condition, the Buyer replied, “Yes, I intend to develop the property for residential use.”

We then informed participants of the following, “You later discovered that, at the time of negotiations, the buyer knew that the property would soon be zoned for commercial development, thus making the value of the property higher.”

Now, with the palter or lie by commission exposed, we asked participants to indicate the extent to which they thought the answer the Buyer gave was unethical, dishonest, and immoral ( $\alpha=.91$ ) using a seven-point scale (from 1=Not at all, to 7=Extremely). Participants answered another three questions rating how unethical, dishonest, and immoral ( $\alpha=.92$ ) they thought the Buyer was using the same scale.

Next, we asked participants to imagine that they had the chance to engage in another negotiation with the same Buyer. Participants then indicated how likely they would be to negotiate with the same Buyer versus search for a different partner (1=Not likely at all, 7=Very likely). Finally, we asked participants to imagine that they had to negotiate with the same Buyer

and to indicate the extent to which they would trust the Buyer (1=Not at all, 7=Very much).

Finally, we asked participants a few demographic questions about their age and gender.

## Results

In Table 3, we report the descriptive statistics of the main variables measured in the study by condition. In Table 4, we report the correlations among each pair of variables.

**Table 3**

Mean (and standard deviations) of the main variables measured by condition, Study 4

	Unethical behavior	Unethical buyer	Trust in buyer	Likely to negotiate again
<b>Paltering condition</b>	4.30 (1.62)	4.49 (1.42)	2.54 (1.61)	3.44 (1.68)
<b>Honest condition</b>	3.24 (1.86)	3.58 (1.82)	3.54 (1.76)	4.22 (1.60)
<b>Lie by Commission condition</b>	4.61 (1.66)	4.45 (1.72)	2.18 (1.49)	3.45 (1.84)

**Table 4**

Correlations among the main variables measured, Study 4.

	Mean	St Dev	2	3	4
<b>1. Unethical answer</b>	4.03	1.81	.82**	-.51**	-.56**
<b>2. Unethical buyer</b>	4.16	1.71		-.61**	-.59**
<b>3. Trust in buyer</b>	2.77	1.72			.76**
<b>4. Likely to negotiate again</b>	3.72	1.74			

Note. \*\*  $p < .001$

**Unethical answer and unethical Buyer.** The three questions on ethics were strongly correlated; hence, we averaged these items to create an ethicality index, see Table 4. As expected, participants' ratings of how unethical the Buyer's behavior was varied by condition,  $F(2,152)=9.23$ ,  $p < .001$ ,  $\eta^2_p=.11$ . Participants rated the behavior of the Buyer who paltered as more unethical than the behavior of the Buyer who answered honestly ( $p=.002$ ), but no different

from the Buyer who lied by commission ( $p=.36$ ). Participants also rated the Buyer's response to be less ethical in the Lie by commission condition than in the Honest ( $p<.001$ ) condition.

Similarly, participants' rating of the ethicality of the Buyer varied by condition,  $F(2,144)=4.73$ ,  $p=.01$ ,  $\eta^2_p=.06$ . Participants rated the Buyer who paltered or the one who lied by commission to be more unethical than the buyer who answered honestly, ( $p=.008$  and  $p=.01$ , respectively). The Buyer who paltered and the Buyer who lied by commission were regarded as equally unethical ( $p=.91$ ).

**Trust in the buyer and future negotiations.** Similarly, participants' trust in the Buyer varied by condition,  $F(2,152)=9.92$ ,  $p<.001$ ,  $\eta^2_p=.12$ . Participants had more trust in the honest Buyer than the one who paltered or the one who lied by commission ( $p=.002$  and  $p=.001$ , respectively). The latter two were regarded as equally untrustworthy ( $p=.26$ ).

This lack of trust in those who palter and those who lie by commission played out in Sellers' likelihoods of voluntarily negotiating again with the same Buyer in the future. Those likelihoods varied by condition,  $F(2,152)=3.65$ ,  $p=.028$ ,  $\eta^2_p=.05$ . Participants reported that they were more likely to negotiate again with the Buyer who answered honestly than the Buyer who paltered ( $p=.021$ ), or the Buyer who lied by commission ( $p=.022$ ). The latter two had the same likelihood of securing another negotiation ( $p=.97$ ).

## Discussion

Palterers may never be discovered by counterparts. But when they are discovered, Study 4a reveals that they can negatively affect a negotiator's reputation, which in turn impacts negotiators' prospects for a future negotiation with that counterpart. When individuals discover that a prospective negotiation partner had paltered to them in the past, they are less likely to trust that partner. And those they are less likely to trust they are less likely to negotiate with again.

Perhaps surprisingly, palterers did no better in this respect than negotiators who lied by commission: in the eyes of the palterers counterpart, paltering and lying by commission are of equivalently ethical standing.

### **Study 4b: Outside Observers Evaluate Paltering More Mildly**

Whereas in Study 4a we examined the reputational impact of paltering from the perspective of the target, in Study 4b we examine the reputational impact of paltering from the perspective of outsiders. We investigate the impact of informing a new potential negotiation partner about a negotiators' past paltering. This allows us to assess whether seeing paltering as being as dishonest as lying by commission requires being the victim of a successful palter, as in Study 4a.

#### **Method**

**Participants.** We recruited participants on Mechanical Turk using an announcement that offered to pay them \$0.75 and required that they be located in the United States. Of the 403 valid participants included in the analyses, 59.6% were female and the average age was 34.

**Design and procedure.** Participants are assigned to prepare to be the Buyer or the Seller in a negotiation that is a modified version of the Hamilton Real Estate negotiation used in the previous studies (Malhotra, 2010). After preparing for these roles, participants answered an attention check question, followed by questions to assess comprehension of the negotiation context and incentives. Participants were then directed to read one of two transcripts that were modified versions of a real negotiation between two participants from one of the previous actual studies. Participants were reminded that the Buyer was assigned to his/her condition in the negotiation and had access to the exact same facts as the participants in the current study.

The transcripts are exactly the same, save for two of the Buyer's responses. In one

transcript, the Buyer evades the Seller's questions regarding his plans for the property by paltering. In the other transcript, the Buyer lies by commission to the Seller about his plans for the property. The transcript used in the Palter condition went as follows:

*Seller: What will you use the property for?*

*Buyer: Well, residential development is what we have done in the past.*

*Seller: Are you going to use the property for commercial development?*

*Buyer: The property is not even zoned for commercial development.*

The transcript used in the Lie By Commission condition went as follows:

*Seller: What will you use the property for?*

*Buyer: We want to use the property for residential development, which is what we have done in the past.*

*Seller: Are you going to use the property for commercial development?*

*Buyer: Nope, we are going to use the property for residential development.*

After reading one of the two transcript negotiations, participants were asked whether the Buyer was intending to use the property for residential or commercial development. It was then disclosed to all participants that the Buyer was planning on using the property for commercial development and participants were asked to report how dishonest they thought the Buyer was during the negotiation using a 7-point Likert scale that ranged from very dishonest (1) to very honest (7). Finally, participants were told that the Seller in the transcript was later offered the chance to gain bonus compensation by participating in an additional, unrelated negotiation. They were told that the Seller could choose whether to negotiate with the same person who had the role of Buyer in the transcript or with someone new. The participants then reported whether they



thought the Seller chose to negotiate with the current Buyer or with someone new. This study is a 2 (Role prepared: Buyer, Seller) X 2 (Transcript Buyer response: Palter, Lie By Commission).

**Selection.** A total of 403 participants entered the study and were assigned to a condition. 18 participants were discarded because they failed the attention check and answered less than 60% of the comprehension questions correctly. Sixty percent correct on the comprehension questions is the standard for inclusion used throughout all studies reported in this paper. As reported throughout, results are not substantively affected by changing this criterion. This left 385 valid participants.

## Results

**Manipulation check.** As the negotiation instructions for Buyers stated, the Buyer intends to use the property for commercial development. The participants who prepared as Buyers should understand that, whereas the participants who prepared as Sellers had not received definitive information on the Buyer's intentions. Of the participants who prepared as Buyers and read the paltering transcript (Buyer-Palter condition), 91% understood that the Buyer intended to use the property for commercial development, while the percentage dipped nonsignificantly to 85% for those who read the lie by commission transcript (Buyer-Lie By Commission condition),  $\chi^2(1)=1.44$ ,  $p=.229$ . Of the participants who prepared as Sellers and read the paltering transcript (Seller-Palter condition), 53% speculated that the Buyer intended to use the property for commercial development, and only 26% who read the lie by commission transcript guessed at the Buyer's true intentions (Seller-Lie By Commission condition),  $\chi^2(1)=15.18$ ,  $p<.001$ . Overall, as expected there was a main effect for role as those who prepared as Buyers understood the Buyer's intention better than those who prepared as Sellers,  $\chi^2(1)=98.77$ ,  $p<.001$ .

**Perceived honesty.** All participants evaluated the Buyer who paltered more favorably

than the Buyer who lied by commission, even though the negotiation outcome was identical. The Buyer who paltered was rated as more honest ( $M=3.4$ ,  $SD=1.5$ ) than the Buyer who lied by commission ( $M=2.2$ ,  $SD=1.4$ ),  $F(1,381)=67.12$ ,  $p<.001$ ,  $\eta^2_p=.150$ . Furthermore, the role for which participants prepared— Buyer or Seller – affected their evaluation of the ethicality of the Buyer’s response in the negotiation. This is despite the fact that when participants evaluated the ethicality of the Buyer’s response they all knew the same objective facts about the negotiation. Participants who prepared as Buyers rated the Buyer (whether the Buyer paltered or lied by commission) as more honest ( $M=3.0$ ,  $SD=1.6$ ) than participants who prepared as Sellers ( $M=2.6$ ,  $SD=1.5$ ),  $F(1,381)=5.71$ ,  $p=.017$ ,  $\eta^2_p=.015$ . Participants in the Buyer-Palter condition rated the Buyer as more honest ( $M=3.6$ ,  $SD=1.4$ ) than participants in the Seller-Palter ( $M=3.2$ ,  $SD=1.5$ ),  $F(1,189)=5.42$ ,  $p=.021$ ,  $\eta^2_p=.028$ . Participants in the Buyer-Lie By Commission condition nonsignificantly rated the Buyer as more honest ( $M=2.3$ ,  $SD=1.5$ ) than participants in the Seller-Lie By Commission ( $M=2.1$ ,  $SD=1.3$ ),  $F(1,192)=1.07$ ,  $p=.302$ ,  $\eta^2_p=.006$ . This shows that when participants thought of themselves as Buyers they judged Buyers who paltered or deceived in any way (palter and lie by commission) as less unethical than participants who thought of themselves as Sellers. The interaction between assigned role (Buyer, Seller) and Buyer response in the transcript (Palter, Lie By Commission) on ratings of the Buyer’s honesty was not significant,  $F(1,381)=0.894$ ,  $p=.345$ .

**Predictions about counterparts’ future negotiation.** Participants believed that the Seller would be more forgiving of the Buyer who paltered as opposed to the Buyer who lied by commission. The Seller who negotiated with the Buyer who paltered was expected to be more interested in negotiating again ( $M = -0.35$ ,  $SD = 2.0$ ) than the Seller who negotiated with the Buyer who lied by commission ( $M = -0.75$ ,  $SD = 2.0$ ),  $F(1, 383) = 3.72$ ,  $p = .055$ ,  $\eta^2_p = .010$ .

Though unrelated to the primary objectives of this study, we also anticipated that participants who prepared as Buyers would be more forgiving of the Buyer in the transcript, and that they would think that the Seller would be more likely to negotiate again with the Buyer in the transcript than those who prepared as Sellers. We actually found the opposite: participants who prepared as Buyers thought the Seller in the transcript would be less likely to negotiate again with the Buyer in the transcript ( $M = -0.85$ ,  $SD = 1.9$ ) than participants who prepared as Sellers ( $M = -0.27$ ,  $SD = 2.0$ ),  $F(1, 383) = 8.22$ ,  $p = .004$ ,  $\eta^2_p = .021$ . The interaction between role (Buyer, Seller) and Buyer response in the transcript (Palter, Lie By Commission) on the question of whether the Seller would want to negotiate again with the Buyer was not significant,  $F(1, 383) = 0.072$ ,  $p = .788$ ,  $\eta^2_p < .001$ .

## **Discussion**

These results show that those who palter are perceived by outside observers as less dishonest in negotiations compared to those who lie by commission. This finding contrasts with that of Study 4a which found that targets of paltering perceive those who palter to be just as dishonest as those who lie by commission. The unethicity of paltering depends on who is judging: targets view it as ethically comparable to making factually untrue statements, whereas outside observers view it as notably ethically superior to such lies of commission.

## **General Discussion**

Information exchange is a crucial ingredient for effective negotiations. At the same time, revealing information honestly can be costly for a negotiation participant. By revealing information, negotiators may yield leverage to their counterpart or make themselves vulnerable to exploitation. In many cases, negotiators choose to misrepresent information or indeed to actively lie to preserve or attain an informational advantage.

This investigation departed from prior behavioral research on deception to consider paltering, a form of deception that is widely employed but has received little formal study. Rather than focus on active false statements (lies of commission) or passive omission of relevant information (lies of omission), we examine paltering, an active form of deception that involves the use of truthful statements to convey a mistaken impression (see Schauer & Zeckhauser, 2009). Though commonly used, this tactic has been largely ignored by prior research.

Our Pilot Study showed that a significant majority of executives palter in some (22%) or most (45%) of their negotiations. Indeed, it was striking in our subsequent studies that many subjects paltered even though instructed to be honest.<sup>4</sup> Why is paltering chosen so often? Our studies showed that negotiators find paltering more attractive than lying by commission (Studies 1a and 1b), and that negotiators do *not* judge their own palter behavior harshly (Study 2). We show that paltering can enable negotiators to capture value in a negotiation (Studies 2 and 3), but also find that paltering brings two risks. First, it increases the risk of failing to reach agreement (Studies 2). Second, if detected, it can incur significant reputational harm (Studies 4a and 4b). In contrast to the way palterers perceive their own behavior, targets perceive it to be no better than lying by commission (when the palter is explicitly exposed to them) (Study 4a). Outside observers are gentler in their judgments: though not viewed as altogether honest, they perceive paltering to be better than lying by commission (Study 4b). Taken together, our experiments identify the rewards and potential risks of paltering. They also suggest a cautionary note. Paltering may exacerbate conflict if palterers misjudge how others will perceive their behavior.

Our findings contribute to the existing literature in several ways. First, they highlight the role of paltering, a widely used but little studied stratagem for deception. They challenge prior

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<sup>4</sup> In Study 2, even when Buyers are instructed to give direct and honest answers, 40% as many palter as respond honestly. Similarly, in Study 3, 25% as many palter as respond honestly.

formulations that conceptualize deception as involving either active false statements or passive but significant omissions. This work expands our understanding of deception to include taking positive action to create misleading impressions, not merely misleading statements.

We find that paltering is a more tempting form of deception than lies of commission. Palterers may find comfort in their moral framing of their behavior. After all, they used truthful statements, which is a much less distasteful behavior than outright lying. However, the targets of paltering perceive (detected) paltering to be no better than (detected) lying, which is largely viewed as immoral – they were given a false impression.

Second, our work extends the negotiation literature by identifying a prevalent behavior that influences the negotiation process, negotiated outcomes, and negotiator reputations. Prior work has shown that detected deception harms trust (Boles et al., 2000; Schweitzer, Hershey, & Bradlow, 2006) and increases retribution (Boles et al., 2000; Wang, Galinsky, & Murnighan, 2009). Our studies find paltering has the same deleterious effects as lies of commission with respect to trust and reputational harm. Negotiators who palter may misperceive their behavior as more acceptable than it is, and thus fail to forecast that harmful relational effects their actions trigger.

### **Limitations and Directions for Future Research**

Our research approach afforded us control to investigate paltering, but our methods are limited. First, our negotiators were simply individuals who came to Mechanical Turk to work and earn money. Second, we used simulated negotiations and instructions that prompted negotiators to engage in paltering, though the negotiations were incentive compatible. One important question is how likely negotiators are to engage in paltering on their own. Our pilot study with real world executives suggests that such behavior is prevalent, and in Study 2 and

Study 3 a number of individuals paltered though they were instructed to be honest. However, further work, including field studies, should explore the frequency question. Similarly, future work should explore the short-term and long-term returns to paltering. In our experiments, we selected both the paltering language and the contexts in which to palter. Moreover, we ultimately revealed the deception involved. Those who palter in everyday life can determine how and when to palter. Presumably they choose contexts where paltering readily creates false impressions, and where detection of palters is unlikely, which in expectation should increase the returns to the strategy. Moreover, they may also concentrate on situations where when detected paltering incurs lesser punishment than lying. Future experiments should test for such choice patterns.

Future work should also develop our understanding of the intra-psychic effects of paltering. In our studies, we found that participants judged their own use of paltering as largely acceptable. If that is true, part of paltering's attraction relative to lying may depend on the benefits it yields for self-regard. If an individual regards lying by commission to be unacceptable, paltering may preserve a deceiver's self-concept. However, paltering may make individuals uncomfortable or anxious, which may affect their trustworthiness and may contribute to the risk of impasse when paltering. More generally, future work should explore the extent to which paltering makes people more likely to later, more egregiously, lie by commission.

A significant limitation of our investigation is that it relied on computer-mediated negotiations. Though computer mediated negotiations are becoming more prevalent, the persuasiveness and consequences of paltering may be different in face-to-face settings.

In addition, our experiments focused on negotiation contexts that are predominantly distributive. We believe that this is the right place to begin an investigation, and our findings

demonstrate that paltering can enable negotiators to claim greater value. Quite possibly, these findings would be moderated in negotiations that are strongly integrative or mixed-motive.

There, paltering – like other deceptive tactics – may hamper information exchange and limit the ability of negotiators to discover mutually exchanges (Weingart, Bennett, & Brett, 1993).

Our investigation focused on the prevalence and reputational consequences of paltering. Future work should explore other issues raised by this practice. For example, how does paltering affect negotiators' satisfaction with a negotiation's outcome and process? Our findings suggest that palterers and their counterparts view the practice quite differently – while palterers and outside observers view the practice somewhat more similarly. Future work should assess whether the evaluations of paltering based on people's perspective affects conflict during and after negotiations.

Future investigations should also examine the rationalizations individuals provide when they palter versus when they lie directly. Prior work suggests that individuals often need to justify their use of deception to themselves (Schweitzer & Hsee, 2002; Shalvi et al., 2011). This suggests that paltering may be a particularly pernicious form of deception (e.g., “I was only telling the truth.”).

Our studies were one shot, though we did inquire after-the-fact about trust and distrust and willingness to negotiate in the future. Future work should explore the use of paltering in long-term relationships, both within and outside of negotiations. For example, are palterers in such relationships skilled at determining when their palters are unlikely to be exposed? If they are exposed, what are the consequences? How often do negative consequences to targets have a ricochet effect that imposes costs on those who palter?

## **Conclusion**

Paltering represents a distinct form of deception. Its characteristics differ from lies of commission and lies of omission. Paltering enables negotiators to claim additional resources, but it can also increase impasse rates and cause reputational harm. Palterers perceive this form of deception differently from targets, and targets perceive it differently from outside observers. This difference in perception may have significant consequences both with respect to the prevalence of paltering and its role in conflict and conflict management.

Ultimately, findings from this research enable us to expand our understanding of an important element in many negotiations, and illuminate the complex ethical implications underlying paltering. By using truthful statements to mislead others, it is possible for people to be simultaneously honest and deceptive.



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