

## **A Simple Experimental Test of the Coase Conjecture: Fairness in Dynamic Bargaining**

### **Abstract**

In an infinite horizon bargaining game, in each period a proposer proposes a division of chips, until a responder accepts. The Coase conjecture predicts that incomplete information about responders' preferences for fairness will lead to almost immediate agreement on an equal payoff split when discounting between periods is small. We experimentally test this prediction when chips are equally valuable to both bargainers and when they are worth three times as much to proposers. Outcomes are remarkably close to theory's point predictions. Moreover, initial proposer offers, responder minimum acceptable offers, and efficiency are significantly higher than in comparable ultimatum bargaining games.