

HORSE TRADING & NEGOTIATION - DISHONESTY FORBIDDEN - SORT OF

Farmers in Texas lived a life of isolation one hundred years ago. My grandparents lived just 100 miles from Fort Worth, but didn't have electricity or an indoor privy until 1950. My dashing great-grandfather came from Tennessee in 1871 with a string of horses to trade. After he went through Henderson Texas on his way south, he left with fewer horses, some cash, and my soon-to-be great-grandmother, much to the horror of my great-great grandmother. When you didn't see a stranger for months, the sight of an itinerant horse-trader, offering not only a social exchange but also the chance for a battle of wits, for financial gain, and the certainty of some horse talk, took on the importance of a first-rate social event. For both suspicious, or even hostile farmer, and voluble, worldly-wise trader, the motivation of many trades was not only money or a better horse (value), but also the excitement of the trade itself. Victory or defeat is the result of a contest, and money, or a better horse, is a handy way of keeping score. Settling a lawsuit isn't all that different.

There were some implicit rules of this game. Everyone knew what they were, but not every trader was equally adept at using them. The same is true of legal negotiation. The tradition of lying about value, and being rewarded for not telling the whole story, was observed while the rule was supposed to be that dishonesty was forbidden. It therefore was a game of wits, enjoyed and understood by all, to outsmart the other trader while not ever having to tell a whopping big, bald-faced lie. When horses were the only power for plowing, transportation and harvesting, the term horsepower had a meaning quite different from today. What can we learn from the folklore of great horsetraders?

There were basically two kinds of trades: where investigation was permitted and where it wasn't. In the latter, wits were substituted for information. These trades often rewarded the more experienced, wily, professional horse traders who sometimes had a hidden agenda, or two. The goal of any trade is to come away with what you most prefer and to believe that your deal was better than the other party's deal. If you can convince the other side that they got what they most preferred and got the better deal, that is an even better transaction because it may indicate an optimal outcome. You will be welcomed by the other side in future transactions. In this way, many current negotiations are linked to potential transactions, which should always be at least a consideration, even when it seems unlikely.

In one story, a farmer named Luther has just purchased new tractors to replace his horses and wants to trade off his young, healthy horses for cash, when a horse trader named Croughan comes along. Luther is very cocky and excited about transforming his wheat farm into a modern miracle and getting rid of his antiquated, labor intensive horses. He points with pride to his newly planted wheat field and is eager to dump his horses on a horse trader while acknowledging that the era of the horse is virtually ended. Who has leverage in this transaction? The horsetrader buys the 10 horses for \$20 and some harnesses for \$50. He estimates that in a reasonable market, each horse he bought from Luther is worth \$20. He later sells these very nice, healthy, young horses and realizes a profit per horse of \$85. A year later he is back in Luther's territory with a new string of older, uglier, less wonderful horses and decides to see how the modern wheat farm is faring. Luther comes chugging up to his campfire in his new automobile and recognizes the horsetrader. He complains that bad weather has destroyed his

wheat field, his tractors have been repossessed and he cannot put in his new crop unless he quickly gets nine horses. He admits that every other farmer in the district who got rid of his horses is in the same fix. Who has leverage? He proposes buying the nine horses the trader still has for \$30 each, plus three harnesses, but asks that he not pay for anything until his wheat crop has been sold. The trader doubts he will ever be paid but sees a potential for a nice profit on some bad horses. He agrees to the sale. A year later he receives from Luther \$286.20 for the horses, representing purchase price plus 6% interest for delayed payment. Added to the original \$85 profit for each horse originally bought from Luther, the trader netted \$1136.20. The profit reflects buying in a buyer's market and selling in a seller's market. What was the farmer's Best Alternative to a Negotiated Agreement (BATNA, or self-help alternative) in each transaction? Did this factor affect the farmer's bargaining zone in each transaction? What was the trader's BATNA in each transaction? Was the farmer's lack of power obvious to the trader in each transaction? What was each party's motivation for each transaction?

No one lied in either transaction. In fact, the extreme honesty and naiveté of the farmer was one reason the trader, Croughan, was able to achieve such a spectacular set of deals. Croughan even realized in the story that any farmer who would be foolish enough to get rid of old shoes before he knew that he could hang on to the new shoes was not a good credit risk. But he also acknowledged it was the farmer's foolishness that made a really good deal possible. This kind of analysis and shrewd reckoning of the other party's strengths and weaknesses is part of every skilled negotiator's toolbox. Make it part of yours.

Kay Elliott reserves copyright