

# Amended Final Offer Arbitration is Promising: Evidence from the Laboratory

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## Abstract

Arbitration is frequently utilized to settle disputes. Much research has focused on the properties of final offer arbitration (FOA) relative to conventional arbitration. Both mechanisms should encourage settlement in standard environments, previous empirical work finds that impasses are common. A modification of FOA, amended final offer arbitration (AFOA), has been proposed as an alternative mechanism. This paper compares the theoretical and behavioral properties of AFOA and FOA. Based on controlled laboratory experiments, AFOA outperforms FOA, generating significantly greater pre-arbitration settlement. Consistent with the theoretical predictions, offers converge under AFOA; however, FOA offers neither converge nor are consistent with theoretical predictions.