

## The Danger of Driving Sharp Bargains

By [Harrison Barnes](#)

Every time I have ever seen someone *drive a sharp bargain*, it has ended up coming back at the person in some negative way. People who get paid more than they are worth, or who receive more benefit than they provide, always run into problems and have difficulty achieving success. The most successful people in the world are, for the most part, the ones who give more value than they receive. They contribute so much value that people want to do business with them, to buy their products and services over and over again.

When I was practicing law, I once moved from a firm that was paying \$80,000 a year to another that was paying about \$155,000 a year. This was back in 1998, and at the time this firm was the highest-paying firm in the city. I had enjoyed working at the firm that paid \$80,000 a year; however, the prospect of making twice that salary really appealed to me. It would appeal to anyone.

Typically, though, if someone is paying a lot more money for something, there is a catch. For example, you can make a lot of money working on a fishing boat in Alaska, but you can also lose a lot of money, sometimes working for weeks without any cash flow. You can also die at sea. Or you can get seriously injured.

When I got to the high-paying [law firm](#), I was in for a real surprise. The firm knew that it was paying attorneys way more than the other firms around town, and it viewed the associates as somewhat disposable. The firm would quickly show the door to anyone who was not desirable in some way or another. An associate might be hired, be given one assignment, and if the results of the attorney's efforts were not up to par, he or she might be fired immediately. There would always be someone new available to fill the position, tantalized by the high earning potential. I, of course, did not really ask many specific questions before I started working at the place. I just saw the money.

What I witnessed at this law firm still amazes me: Essentially the firm was able to chew up and spit people out with a ferocity that was difficult to believe. Many people left the law firm so shell-shocked that they never practiced law again and ended up doing things like becoming waitresses. In contrast, most of the people I had known at the law firm that paid \$80,000 are still practicing law today. The law firm that was paying its associates incredibly high salaries had expected some kind of superhuman performance from all the people working there, and if those expectations were not met, people were disposed of like vermin, quickly and without conscience.

The important lesson here is that the people going to work in this high-paying law firm were paying a price. In my opinion, the higher salary in no way compensated for the possible damages these people faced. At any moment they might have lost the security of having a job; their self-esteem might have been bruised and battered, and as a result, they might have decided to leave the practice of law altogether.

Anytime something looks like a bargain, it probably is not. There are a myriad of factors that ultimately constitute *a price*, and the amount of money that a job is worth. Anytime people are paying too much money for something, they will do everything within their power to make sure that the price they are paying is fair. This means they will push whomever they are paying with extreme demands and so forth, to make sure they are deriving value from whatever amounts they are paying out. The price they end up paying must seem in all respects *fair*, in order that the payers do not feel like they are being taken advantage of.

I am in the real estate business, and for several years I have rented out a small house in Malibu. During the winter months it rents for around \$350 to \$550 a night. However, during the summer, when demand is very high, the house rents for \$850 a night. The house is rented out almost every night of the year.

During the off-peak months people never complain, because they are getting a great value at a very fair price. Everyone who visits the property and stays there leaves nice notes and posts positive comments about the site online. However, during the summer months, when the rate is \$850 per night, people turn into different sorts of creatures. It seems as though every other guest ends up complaining about something. They may say the dishes were not as clean as they should have been; they may complain about having seen an ant, and then demand exterminators come out to the house; they may say the water tastes funny and demand we change water filters. They have even complained that the computer is too slow. When people are paying a lot of money for something, they are much more likely to demand refunds or discounts and create other sorts of problems. It is not surprising that when people are paying more money for something, they expect a higher level of service. Here, however, the house rents at what it does simply due to the law of supply and demand. In the summer, more people want to use the house and it is easier for us to rent, and in the winter, fewer people are interested in vacationing at the beach.

When something is trading at a high price, whether it is labor or a rental house, the amount of scrutiny that occurs and the problems from the perspective of the *buyer* of the product will increase. The more scrutiny there is of the product, the more pressure there is on the seller to lower the price or provide a better service for the price.

If you are holding out for a really high salary, then you may find yourself out of work for a long time. Just because you were able to get a high price for your work at some time in the past, it does not mean this will ever occur again. A few years ago, the economy was much healthier, and there were many more jobs. This is no longer the case today, and the salaries for most jobs have gone down.

When I was working for a federal judge in Bay City, Michigan, there was a plastic surgeon in the town who had a staff of a couple of nurses and secretaries working for him. He paid them each \$150,000 a year, according to what people in the town said, which was easily more than three times what would have been fair. Everyone talked about it. Do you think that these people could ever get jobs like this again? Just because someone has been paid a certain salary or rate in the past, it does not mean they will be paid the same in the future. This is what many people expect, though. They believe that just because

they received a certain amount in the past, or because someone else received that amount, they should too. This is a major problem in the job market. Everyone wants the *best deal*, although most people do not realize that the best deals often lead to the most problems in the long run.

Lately I have been seeing a lot of people trying to *drive sharp bargains* in numerous situations. With housing prices down, with many people out of work, and with all the other issues we are facing, there are people out there who are suddenly very enthusiastic about the opportunity to "get a deal" with this or that. The person getting the deal could be an employer or it could be a shopper of various products and services. The number of people seeking deals, discounts, and so forth probably has never been higher than it is right now.

I have some commercial office space available for rent. Before people make an offer on the space, they usually look up what the mortgage on the space is and just offer this amount. I know of people who purchased a house or property a few years ago for \$1 million, which today is probably worth around \$800,000. They put it on the market for \$800,000, and people start making offers on the property of \$200,000, or \$150,000.

Someone hears about someone buying a property that is worth \$800,000 for \$200,000 and decides that they too should get a similar deal. The person goes out and does everything possible to get a similar deal. It is like this with job searches as well. We hear about someone who gets a really high paying job doing this or that at a salary that is twice what the market is paying, and we decide that this is what the job is worth. Therefore, when we go out and start [looking for a job](#), we make up our minds that we will not take a salary that is less than this amount. We end up being unemployed as a result.

*Driving sharp bargains typically backfires and can create long-term problems for you.*

When I was working in Detroit as an asphalt contractor, I got to know many other contractors who did asphalt work and construction. I am about to share with you a perception that is somewhat predicated on racist beliefs, which nonetheless exists in our society, and amongst contractors, and other people in business.

Contractors get a sense, when they are dealing with people, how a prospective project would go if they were to undertake it. For example, if a contractor is called out to give an estimate for painting someone's house, he is going to be evaluating the homeowner to see if it is even worth his time working for the homeowner. He will very quickly assess whether or not the person is likely to pay, how much reworking of the job the person may require, whether or not the person will drive a sharp bargain, and more.

Every contractor has had an experience wherein he shows up to do a job for someone, and then the homeowner starts demanding all sorts of extra work that was not a part of the original contract. The homeowner will then do things like withhold payment and create all sorts of issues for the contractor if the contractor does not comply with the demands. Many people do business like this with contractors, and these people make it very difficult for contractors to make any money. In fact, at the end of the day, contractors often lose money on jobs due to people like these.

This behavior is not just confined to people in dealing with contractors; it is present in all businesses. There is a real danger for people in doing business with people who drive sharp bargains because the business owner never makes money.

So here is the racism: I have some working-class relatives that are painters in Toledo, Ohio, who will charge people more money based on how much bargaining the people are likely to do *after a price has been agreed to*. They have adopted this strategy as a matter of course and for certain groups of people, such as Middle Easterners, they will charge between two and three times what they would normally charge others. Their explanation for this is that they have found that certain people from certain countries will typically make them work two to three times as much as they would normally work for the money. The only way they feel they can make any money on the project is if they charge this extra amount of money. The business world is like this. If you get a reputation for driving a sharp bargain, in the end you may end up paying much more than everybody else.

This weekend we hosted a wedding in our backyard in Malibu. I have had a house on the beach for several years and recently discovered that brides apparently love to have wedding ceremonies and receptions in our yard. When we first moved into the house several years ago, the previous owners had already arranged to have a wedding at the property, and, as a condition in the sales contract with them, we had to leave the house in order for a wedding to take place after we had been living there a few weeks.

Weddings are really big business. The previous owner had negotiated a great deal to lease the yard for a wedding for three days for \$50,000. This was pretty impressive. In fact, it was hard to believe. I do not understand how anyone can rent out a yard for three days for \$50,000, but the people had managed to do it.

The problem was that this had been the only time the people had leased out the house in the several months they had owned it. See, if you charge a ton of money for something you might get lucky sometimes and get a few takers; however, most of the time you will not. The people who owned the house before always drove a sharp bargain, and the sharper the bargain you drive, the fewer people will take you up on your offer.

One of the greatest mistakes you can make in your career and in your life is to drive a sharp bargain. When you drive a sharp bargain you will find that you spend a lot of time doing nothing. This is something that keeps a lot of people on the sidelines. When you stay on the sidelines, you are not working, and when you are not working, you are not earning any money. You may have a few good runs and get some takers here and there, but for the most part, you will not keep busy.

In order to start promoting wedding rentals, I contacted a few wedding planners and within just a few weeks, several weddings were booked at the house. The wedding that occurred this weekend, however, was a real disaster--and a perfect example of someone driving a hard bargain. It is not the sort of thing I am eager to do again anytime soon.

The first thing that happened was related to the number of guests at the wedding. Originally, the wedding was supposed to be for 60 to 70 people. This is a small wedding; it would not have been problematical to have a wedding this size at all. The wedding company first booked it for this many people and then they booked two more small weddings with us. A few weeks before this wedding, however, they called up and during a conversation about something unrelated, said the bride had changed her mind and the wedding was really going to be for around 250 people. At this point, though, we had already agreed on a price based on 60 to 70 people.

Having a wedding with 250 people becomes a completely different story. Weddings of this size require special permits, Porta-Potties, and all sorts of extra concessions. Consequentially they are a much higher price. Changing the terms of an agreement at the last minute is something that many people attempt to get away with. I am quite sure the bride and the wedding company were aware that the wedding was going to be of 250 people early on, but they made us believe that it was

only going to be 60 to 70 people in order to get the best deal possible. Ultimately, instead of 250 people, more than 500 people showed up. These people *drove a hard bargain*, but in the process, they completely violated my trust. The wedding company did get a great deal, but I have canceled all future weddings with them: They had booked one wedding for next weekend and another for the weekend after that, both of which will no longer be occurring at my property. I will not be doing business with them again, and unfortunately they are scrambling right now to make last-minute changes for those other weddings.

All around you can see people who do whatever they can to drive a sharp bargain and to get the best terms possible. Getting the best terms possible can ultimately be very harmful to you. One of the biggest mistakes that businesses, job seekers, and others make is always trying to get the highest price for whatever goods or services they provide. This often ends up limiting people because they unknowingly price themselves out of the market. If you try to drive a sharp bargain with people, they will not give you the benefit of the doubt; they will end up not working with you and they will make things very, very difficult for you.

In your career and your life, the better deal you get and the sharper bargain you drive, the more problems you will create for yourself in the future. As a general rule, people will always sell something for what it is worth and will be willing to pay what something is worth. Anytime you get an incredibly good deal for something, you should consider yourself lucky, but you should never push to get the best terms with everything because if you do, your behavior is likely to backfire on you.

### **THE LESSON**

The most successful people in the world create do much value for others that everyone wants to do business with them, and return to them over and over. Driving sharp bargains, however, typically backfires and can cause you more problems than benefits. Whenever you get a good deal you should consider yourself lucky, but you should never push for the best deal possible because your behavior will likely alienate others.

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