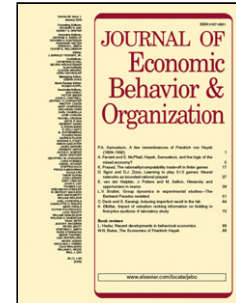


## Accepted Manuscript

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Expectation-Based Loss Aversion

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### Highlights

- An expectation-based loss-averse buyer trades with a profit-maximizing seller.
- Incomplete contracts create a new type of hold-up problem.
- If credible, the buyer prefers to expect not to renegotiate.
- This gives rise to ex post materially inefficient trade.
- There is a tradeoff between maximizing efficiency and minimizing expected losses.

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