

Fukuzawa Memorial Lecture

Coauthors: M. Jackson, Y. Xing, C. Tombazos, O. Al-Ubaydli

Every individual...neither intends to promote the public interest, nor knows how much he is promoting it...he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention.

The Wealth of Nations, Book IV, Chapter II, p. 456, para. 9.

The natural effort of every individual to better his own condition...is so powerful, that it is alone, and without any assistance, not only capable of carrying on the society to wealth and prosperity, but of surmounting a hundred impertinent obstructions with which the folly of human laws too often encumbers its operations.

The Wealth of Nations, Book IV, Chapter V, Digression on the Corn Trade, p. 540, para. B 43.

What improves the circumstances of the greater part can never be regarded as an inconveniency to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable.

The Wealth of Nations, Book I Chapter VIII, p. 96, para. 36.

A Bayesian Exchange Problem

		Buyer		First Best Surplus $= 7/2$
		$v = 2$	$v = 10$	
Seller	$c = 8$.5	.5	
	$c = 0$			

Contrast with: *Getting to Yes* (Fisher and Ury 2001)

- People want different things.
- Invent options for mutual gain.
- Get past the idea that there is a fixed sum.
- Think about a way to satisfy the other in a way that is good for you.
- Think about what you would like to walk out of the meeting with.
- Place multiple items on the table.
- Broaden your options and the options available to the other party.

But Where Does the Mechanism Come From?

Can a Negotiation Get you There?

How About Surplus Not Known?

$(0, 8)$ or $(8, 0)$ meets $(2, 10)$ or $(10, 2)$

	$(2, 10)$	$(10, 2)$
$(0, 8)$	Both at 12	First at 5
$(8, 0)$	Second at 5	Both at 12