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Presentation Title

Strategy-proof and Efficient

(with Onur Kesten)

Abstract

Mediation is a dispute resolution method that has gained increasing popularity over the last few decades and given rise to a multi-billion-dollar industry. This paper develops an "ordinal" market/mechanism design approach, where the mediator seeks a resolution over two issues in which negotiators have diametrically opposed ordinal preferences. Each negotiator has private information about her own ranking of the outside option, i.e., the point beyond which the negotiator would rather take the case to a conventional court proceeding. A necessary and sufficient condition for the existence of strategy-proof and efficient mechanisms is the availability of "logrolling bundles" that form a special (semi)lattice structure and allow negotiators to make compromises on different issues. We characterize the full class of strategy-proof, efficient, and individually rational mediation rules. A central member of this class, the constrained shortlisting rule, stands out as the unique strategy-proof, efficient, and individually rational mechanism that minimizes rank variance.

Keywords

Mediation; Logrolling; Outside options; Strategy-proofness

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