Dispute Mediation Mechanisms

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Abstract

We consider the problem of designing mechanisms to mediate disputes. We first show that there exists no mechanism that satisfies *efficiency*, *strategy-proofness*, *individual rationality* and *feasibility*. We then relax efficiency and search for a mechanism that satisfies a weaker version of *efficiency* and the other three aforementioned axioms. We show that on the full domain of disputants' valuations, the mechanism that uniquely satisfies these axioms is that which always continues the dispute. However, we also show that on mildly restricted domains of disputants' valuations, there exist other mechanisms that satisfy all four axioms. Moreover, we introduce a class of mechanisms that Pareto-dominates all mechanisms as such.

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