Common uncertainty with differential information

Up for bid

Exploratory wells owned by Gambit
Value of information

• As Gambit, would you want Maxco to know that you have private information?
• As Maxco, if you somehow found out what Gambit knows, would you want Gambit to know that you know?
• Value of information in a different context
Value of information

• Prize is uncertain
• Maxco initially knows that the oil could be worth either $0m, $20m, or $40m with equal probability
• Gambit initially knows exact value of oil
• How should you bid as Gambit?
• As Maxco?
No privileged information

• Prize is uncertain
• One of three envelopes: ( $0, $10 , $20) is selected as the prize at random.
• How would you bid as Maxco?

• Is this a problem of common knowledge?
Value of perfect information

- Laboratory example: Three envelopes:
  - $0, $10, $20
- One envelope is selected at random and shown to Gambit. Maxco sees that Gambit knows value of prize.
- How should you bid as Gambit?
- \( G(0) = \), \( G(10) = \), \( G(30) = \)
- As Maxco?
Value of imperfect information

• Laboratory example: Three envelopes:
• $0 , $10 , $ 20
• One envelope is selected at random to establish prize. Gambit (she) is shown a random choice of the other two envelopes. Maxco (he) sees that Gambit knows more than he knows.
• How should you bid as Gambit?
• $G(0)$ = $G(10)$ = $G(30)$ =

• As Maxco?
Two-Party Integrative Negotiations
Integrative Negotiations

• Two or More Parties
  – (We’ll stick to two)
• Deal or Dispute
• Several Issues to Be Resolved
• Potential for Joint Gains
Preparing for Negotiation

• Three Phases of Preparation
  – I: Preparing alone: (interests, alternatives, uncertainties, information about other, ..)
Preparing for Negotiation

• Three Phases of Preparation
  – **I**: Preparing alone: (interests, alternatives, uncertainties, information about other, ..
  – **II**: Preparing together: establishing credibility, brainstorming options, joint design of template (what are the issues to be decided and what are possible resolutions of each issue)