

Abstract

Two fair-division procedures that are applicable to negotiations between two parties over multiple issues are analyzed. Both guarantee the envy-freeness and equitability of a settlement. The first ensures that the settlement is Pareto-optimal, but it is vulnerable to strategic manipulation, whereas the second procedure is relatively invulnerable to manipulation, but it is not Pareto-optimal. A combined procedure is proposed whereby the Pareto-optimal first procedure is used unless either player selects the strategically more robust second procedure as a default option. Possible applications of the combined procedure are discussed and illustrated by the Panama Canal treaty negotiations in the 1970s.