Goal: Understand the method of **Sealed Bids**.

1. Sealed bids: general idea

2. Steps:
   (a) List items to be divided
   (b) Individuals submit a sealed bid for each item
   (c) Determine each person's total bid
   (d) Determine each person's fair share: (their total bid) / (# people)
   (e) Award each item to the highest bidder
   (f) Determine each person's initial allocation of money to holding pot:
      - if award − fair share is positive, individual pays difference **into** pot
      - if award − fair share is negative, individual gets difference **from** pot
   (g) Divide remaining surplus in pot equally

3. Example ITEMS: Vase, Earrings, Ice Skates. PEOPLE: Sam, Omar

	Sam	**Omar**
vase	\$10	\$5
earrings	\$4	\$15
ice skates	\$20	\$16
total bid		
fair share		
who gets what (award)		
value of award		
award value − fair share		
pays in / receives		
total surplus		
share of surplus		
Final allocation		

Summary of Final Allocation

person	items	cash	paid or received?
Sam			
Omar			

4. Same Example with different bids:

	Sam	**Omar**
vase	\$10	\$5
earrings	\$4	\$1
ice skates	\$20	\$10
total bid		
fair share		
who gets what (award)		
value of award		
award value − fair share		
pays in / receives		
total surplus		
share of surplus		
Final allocation		

Summary of Final Allocation

person	items	cash	paid or received?
Sam			
Omar			

5. Is the outcome fair to each person according to their values?