

## How to make money from those about to play a game

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In a recent paper, SFI Professor David Wolpert and co-author James Bono reveal a way to get rich without doing any work at all.

The trick is to find a group of interacting people for which each person's happiness depends in part on what the others do. Wolpert and Bono provide a way for you to choose one of those interacting people (call him "Sucker"), and offer Sucker a <u>contract</u> where he gives you some money now, and you agree to return some (but not all) of that money to Sucker after his <u>economic interactions</u> with the others are completed.

Wolpert and Bono show that in many cases, such contracts can be designed so that Sucker would benefit during this economic "game" by agreeing to your contract before the game starts. Sucker thus would accept your offer and you would have money after paying Sucker when the game concludes.

The keys to this scheme are that under your contract, how much you return to Sucker depends on what Sucker and the other people do during their interactions. All the interacting people must know about the binding contract between you and Sucker.

When these conditions are met, based on how your contract changes the economic equilibrium among the players, Sucker and you both benefit from agreeing to the contract. (Of course, the other people might not be so lucky.)



Wolpert and Bono call this phenomenon "game mining," as it is a way for you to "mine" a game (in the economic sense) that other people are engaged in.

Their paper, published recently in the journal Advances in Austrian Economics, explores several hypothetical examples, such as interactions among corn producers versus sugar producers in competition for profits from sweetener production.

"All of this raises a crucial question," they write. "Why are not real <u>game</u> mining firms wreaking havoc on real markets?" Wolpert and Bono offer several possible explanations for which they suggest further study.

**More information:** James W. Bono , David H. Wolpert (2014), "Game Mining: How to Make Money from those about to Play a Game," in Steven Horwitz , Roger Koppl (ed.) *Entangled Political Economy* (*Advances in Austrian Economics*, Volume 18) Emerald Group Publishing Limited, pp.179 - 211. <u>DOI:</u> 10.1108/S1529-213420140000018009

Working paper: <u>www.santafe.edu/media/workingpapers/11-08-034.pdf</u>

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