In ideal circumstances, open markets ensure an efficient allocation of resources. Unfortunately, conditions are seldom ideal. Not
only are there infinite variables in the market itself and those interested parties, but many transactions take place within firms or other ‘closed shop’ arrangements.

Those involved may well have specialist knowledge they are likely to use to their advantage. So what is the best way to ensure an optimal outcome? Is government regulation called for, and if so, how is it best designed?

Mechanism design theory accounts for personal incentives and private information, allowing economists to find the most efficient trading systems, to design appropriate regulation and even improve voting procedures. The theory originated with Leonid Hurwicz and was developed by his fellow 2007 Laureates Eric Maskin and Roger Myerson.

In the 1970s, Myerson developed the ‘revelation principle’, a fundamental connection between the allocation to be implemented and the monetary transfers needed to induce informed agents to reveal their information truthfully, which greatly simplified the process of finding a suitable mechanism, and applied it to economic problems such as auctions and regulations.

Roger Bruce Myerson was born in Boston, Massachusetts, in March 1951 to a family that valued education and scientific learning. As a boy growing up in the nuclear age and an era dominated by science fiction, Roger dreamed of a mathematically precise utopia.

He began reading (1970 Laureate) Paul Samuelson’s economics textbook in high school and gained a place at Harvard University, studying economics and applied mathematics. In 1972, as a third year student, he attended a course by Howard Raiffa on decision analysis, introducing the young Roger to the relatively new field of game theory.

Inspired, Roger scoured libraries for books and articles about game theory and was drawn to the work of John Harsanyi on