

"Mechanism Theory" - Matt Jackson

- alternative to reading MWG, ch. 23

Limitations of Revelation principle (in BNE implem.)

- limited communication } will never see again
- limited commitment }
- Common agency (ch. 13 B-D)

Limited communication

- costly to tell the mechanism designer your type
- might do better using an indirect mechanism.
- reference (MMR, 1997)
- no modified revelation principle available here

Limited commitment

- mechanism designer, after hearing types, might say, "I don't want to implement the outcome I am supposed to."
- Strausz - Bester (EMA 2001) - modification to revelation principle

Common agency

- Multiple principals competing for a single agent.

° principals might free ride on each others' incentive provisions.

° Epstein-Peters (1999, JET)

° Martimort (2002, EMA) - better reference

Problem set to be assigned next week.