"Screening Inattentive Agents"

## Abstract:

An important aspect of mechanism design problems is the information to which the agents involved have access. A potential complication is that this information may endogenously depend on which options they are offered. I model this by considering an optimal mechanism design problem in which a principal screens an agent with uncertain value. The agent is inattentive regarding their true value, and decides how to optimally acquire information about it in response to the offered mechanism. I show that the optimal mechanism is characterized by a non-participation belief, which in turn determines the contour of possible beliefs and transfers for every possible probability of allocation (including those not used in the mechanism). For every possible non-participation belief, the mechanism design problem then reduces to one of Bayesian persuasion. The optimal mechanism is then implicitly determined by choosing the optimal nonparticipation belief.