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"Principled Mechanism Design with Evidence" (joint with Sebastian Schweighofer-Kodritsch)

Abstract

Introducing evidence (or partially verifiable information) in the framework of Myerson (1982) yields two frameworks of mechanism design with evidence. One in which evidence provision is controllable and one for which it is non-controllable. For both models the usual revelation principle holds, irrespective of the evidence structure. With respect to deterministic implementation, existing approaches that incorporate evidence in mechanism design, correspond to the non-controllable case and exhibit "verifiable moral hazard". We show that, in general, such verifiable moral hazard has bite, but also derive two independent sets of conditions under which it has not so that implementability in both models coincide. We further discuss the role of stochastic mechanisms for implementing deterministic social choice functions and the extent to which "normality" of evidence implies the optimality of deterministic mechanisms.