

Mechanism Design With Ambiguous Communication Devices

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Abstract

This paper considers mechanism design problems in environments with ambiguity-sensitive individuals. The novel idea is to introduce ambiguity in mechanisms so as to exploit the ambiguity sensitivity of individuals. We prove a revelation principle for the partial implementation of social choice functions by ambiguous mechanisms. We then revisit the classical monopolistic screening problem and show that ex-post full surplus extraction is possible, even when there is no ex-ante ambiguity.

Keywords: Mechanism design, ambiguity, revelation principle, communication device, multiple priors.