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Presentation Title

Screening Inattentive Agents

Abstract

Information plays a crucial role in mechanism design problems. A potential complication is that this information may endogenously and flexibly depend on what options they are offered. I model this by considering an optimal mechanism design problem in which a principal screens agents with uncertain value. The agent is inattentive regarding their true value, and decides how to optimally acquire information in response to the offered mechanism. I show that any implementable mechanism is characterized by a contour of triplets of allocation probabilities, prices, and beliefs, which is uniquely determined by a single such point. For every such contour, the mechanism design problem then reduces to one of Bayesian persuasion. The optimal mechanism is then implicitly determined by choosing the optimal contour. I provide results characterizing optimal mechanisms in both the single- and multiple-agent cases.

Keywords

Mechanism design; rational inattention; information acquisition; optimal auctions; principal-agent problems

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