Efficient Mechanisms for Multiple Public Goods

By

Eyal Winter
Department of Economics and
Center for Rationality and Interactive Decision Theory
Hebrew University of Jerusalem

And

Suresh Mutuswami
Department of Economics
University of Essex

Abstract

We propose two sequential mechanisms for efficient production of public goods. Our analysis differs from the existing literature in allowing for the presence of multiple public goods and in also being “simple”. While both mechanisms ensure efficiency, the payoffs in the first mechanism are asymmetric, being sensitive to the order in which agents move. The second mechanism corrects for this through a two-stage game where the order of moves in the second stage is randomly determined. With quasi-linear preferences, the payoffs from the second mechanism correspond to the Shapley value of a well-defined game which summarizes the production opportunities available to coalitions in the economy.

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