The Research Centre of the Faculty of Economics

cordially invites you to a research seminar
on **Wednesday**, **16th September 2015** at **11 a.m.** in room **P-109** at the
Faculty of Economics, University of Ljubljana

Author: **Jernej Čopič, Assistant Prof. of Economics, UCLA**

will present the article:

"Public good provision with budget balance,"
with Pasha Andreyanov and Byeong-hyeon Jeong

»This paper studies mechanisms for providing a non-excludable public good where individuals have dominant-strategy incentives for truthful revelation of their private value of the good. Additional requirements are individual rationality, budget balance, and that the mechanism is optimal (on the ex post Pareto frontier), i.e., there does not exist another mechanism satisfying these requirements which does weakly better for all, and strictly better for some realizations of individuals' valuations. When budget balance is satisfied with equality, i.e., there are no over-payments, then such mechanisms can be characterized as lotteries over fixed payments mechanisms; a fixed payments mechanism is one where payments are assigned to individuals, and if all individuals agree to their assigned payment, then these are exacted and the good is provided; otherwise the good is not provided and no payments take place. Examples are given of mechanisms with over-payments, which are optimal and are not lotteries over fixed payments mechanisms -- heuristically, through over-payments by some individuals, the incentive constraints of other individuals are relaxed. It is conjectured that optimal anonymous mechanisms must satisfy no over-payments and are therefore (symmetric) lotteries over fixed payments mechanisms. These results imply that optimal mechanisms satisfying these requirements are far from ex post efficient, especially when the number of individuals becomes large. This contrasts with the well-known VCG mechanisms which do not satisfy budget balance (or individual rationality) and in order for demand revelation there need to be potentially large over-payments. The individual rationality here is a strong unanimity requirement, and the above results suggest that requiring no over-payments makes demand revelation more difficult.«

You can register for the free seminar by phone (01) 58-92-490, or via e-mail:
research.seminars@ef.uni-lj.si by Tuesday, 15th September 2015.

We look forward to seeing you!