

Transferable utility mechanisms



- When outcomes consist of basic outcomes and some transfers or payments: $u_i(o, \theta) = u_i(x, \theta) - p_i$
- We can split the mechanism into a **choice rule** and a **payment rule** (or transfer rule):
 - $x \in X$ is a “nonmonetary” outcome
 - $p_i \in \mathbb{R}$ is a “monetary” payment (possibly negative) that agent i makes to the mechanism
- Implications:
 - $u_i(x, \theta)$ is not influenced by the amount of money/wealth an agent has
 - agents don't care how much others are made to pay (though they *can* care about how the choice affects others.)

Direct Mechanisms in a Quasilinear Setting



Definition (Direct mechanism)

A **direct mechanism** (in a quasilinear setting $(N, O = X \times \mathbb{R}^n, \Theta, p, u)$) is a pair (χ, p) specifying a basic outcome $\chi(\theta)$ and a profile of payments or transfers $p(\theta) = (p_1(\theta), \dots, p_n(\theta))$.

