Optimal Allowance with Limited Auditing Capacity

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<u>Abstract</u> :

We analyze the mechanism-design problem of a principal allocating amounts of a perfectly divisible good to n agents, each of whom desires as much of the good as possible. The principal has an ideal allocation for each agent, which is private information held by that agent. The principal has access to an auditing technology that allows her to perfectly uncover the private information of any k.