

INCENTIVE COMPATIBLE DISCRETE GREEN AND LAFFONT PLANNING PROCEDURE WITH PIVOTAL AGENTS

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ABSTRACT. The Green-Laffont Procedure (GL Procedure, hereafter) is the first one that is locally strategy proof (LSP) in continuous setting. This paper tries to reformulate this procedure by adapting the method developed by Champsaur, Drèze and Henry (1977) who presented a discrete formulation of the MDP Procedure. In the GL Procedure there may exist pivots or pivotal agents whose messages can change the direction of adjusting public goods. In an economy with a public good and a private good their procedure can achieve simultaneously efficiency and incentive compatibility in the sense that the truthful revelation is a dominant strategy for any player.

Key Words: Green-Laffont Procedure, local strategy proof, MDP Procedure, myopia, pivotal agents and payments, strongly locally individually incentive compatibility

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