

# A Dynamic Non-direct Implementation Mechanism for Interdependent Value Problems

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Much of the literature on mechanism design and implementation uses the revelation principle to restrict attention to direct mechanisms. In previous work, we showed that, when agents are informationally small, there exist small modifications to VCG mechanisms in interdependent value problems that restore incentive compatibility. We show here how one can construct a two-stage non-direct mechanism that similarly restores incentive compatibility while improving upon the direct one stage mechanism in terms of privacy and the size of messages that must be sent. The first stage that elicits the part of the agents' private information that induces interdependence can be used to transform certain other interdependent value problems into private value problems.