

Citation for 2024 Arrow Prize

"Mechanism Design with Limited Commitment" by Laura Doval and Vasiliki Skreta breaks new ground on the fundamental problem of mechanism design in dynamic settings where the designer is tempted to change the mechanism over time--a framework which encompasses applications to dynamic pricing, regulation, and income taxation. The paper offers a fresh perspective by considering a designer who lacks commitment power across periods, but who within each period can commit to an information structure that determines what she learns about the agent's behavior in the current mechanism. The model thus combines features of classic limited commitment models and more recent models of information design. The paper's main result is a revelation principle, which shows it is without loss to consider mechanisms where the agent reports her type truthfully, while the designer observes a signal of the agent's report, which in turn determines the current allocation. Formulating and proving this result requires deep conceptual and technical insights. The paper has already sparked considerable follow-on work and applications, both by the authors themselves and other researchers.

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