

Definition 0.1. Let A be an object set. We define a total order on A by the one-to-one mapping

$$\tau : A \rightarrow \{1, 2, \dots, |A|\}$$

that is, $\forall x \neq y \in A, x < y \Leftrightarrow \tau(x) < \tau(y)$.

Let L be the set that contains all of the τ .

Definition 0.2. A function $f : L^n \rightarrow A$ is called a choice function.

Definition 0.3. A choice function f can be *strategically manipulated* by voter i if for some $\tau_1, \dots, \tau_n \in L$ and some $\tau'_i \in L$ we have that $\tau_i(a) < \tau_i(a')$ where $a = f(\tau_1, \dots, \tau_n)$ and $a' = f(\tau_1, \dots, \tau'_i, \dots, \tau_n)$. That is, voter i that prefers a' to a can ensure that a' gets chosen rather than a by strategically misrepresenting his preferences to be τ'_i rather than τ_i . f is called *incentive compatible* if it cannot be manipulated.

Definition 0.4. A choice function f is monotone if $f(\tau_1, \dots, \tau_i, \dots, \tau_n) = a \neq a' = f(\tau_1, \dots, \tau'_i, \dots, \tau_n)$ implies (\Rightarrow) that $\tau_i(a') < \tau_i(a)$ and $\tau'_i(a) < \tau'_i(a')$. That is if the choice changed from a to a' when a single voter i changed his vote from τ_i to τ'_i then it must be because he switched his preference between a and a' .

Definition 0.5. Let $\vec{v} = (v_1, \dots, v_n)$ be an n -dimensional vector. We will denote the $(n-1)$ -dimensional vector in which the i -th coordinate is removed by $\vec{v}_{-i} = (v_1, \dots, v_{i-1}, v_{i+1}, \dots, v_n)$. Thus we have three equivalent notations: $\vec{v} = (v_1, \dots, v_n) = (v_i, \vec{v}_{-i})$.

Definition 0.6. A game with (independent private values and) strict incomplete information for a set of n players is given by the following ingredients:

- (i) For every player i , a set of *actions* X_i .
- (ii) For every player i , a set of *types* T_i . A value $t_i \in T_i$ is the private information that i has.
- (iii) For every player i , a *utility function* $u_i : T_i \times X_1 \times \dots \times X_n \rightarrow \mathbb{R}$, where $u_i(t_i, x_1, \dots, x_n)$ is the utility achieved by player i , if his type is t_i , and the profile of actions taken by all players is x_1, \dots, x_n .

Definition 0.7. (i) A strategy of a player i is a function $s_i : T_i \rightarrow X_i$.

(ii) A strategy s_i is a (weakly) dominant strategy if for every t_i we have that the action $s_i(t_i)$ is a dominant strategy in the full information game defined by t_i . Formally: For all t_i , all x_{-i} and all x'_i we have that $u_i(t_i, s_i(t_i), x_{-i}) \geq u_i(t_i, x'_i, x_{-i})$. A profile s_1, \dots, s_n is called a dominant strategy equilibrium if each s_i is a dominant strategy.

Definition 0.8. (i) A mechanism for n players is given by

- (a) players' type spaces T_1, \dots, T_n ,
- (b) players' action spaces X_1, \dots, X_n ,
- (c) an alternative set A ,
- (d) players' valuations functions $v_i : T_i \times A \rightarrow \mathbb{R}$,
- (e) an outcome function $a : X_1 \times \dots \times X_n \rightarrow A$ and,
- (f) payment functions p_1, \dots, p_n , where $p_i : X_1 \times \dots \times X_n \rightarrow \mathbb{R}$.

The game with strict incomplete information induced by the mechanism is given by using the types spaces T_i , the action spaces X_i , and the utilities $u_i(t_i, x_1, \dots, x_n) = v_i(t_i, a(x_1, \dots, x_n)) - p_i(x_1, \dots, x_n)$.

(ii) The mechanism implements a choice function $f : T_1 \times \dots \times T_n \rightarrow A$ in dominant strategies if for some dominant strategy equilibrium s_1, \dots, s_n of the induced game, where $s_i : T_i \rightarrow X_i$, we have that for all t_1, \dots, t_n , $f(t_1, \dots, t_n) = a(s_1(t_1), \dots, s_n(t_n))$.

Proposition 0.1 (Revelation Principle). *If there exists an arbitrary mechanism that implements f in dominant strategies, then there exists an incentive compatible mechanism that implements f . The payments of the players in the incentive compatible mechanism are identical to those, obtained at equilibrium, of the original mechanism.*

Proof. The new mechanism will simply simulate the equilibrium strategies of the players. That is, let s_1, \dots, s_n be a dominant strategy equilibrium of the original mechanism, we define a new direct revelation mechanism : $f(t_1, \dots, t_n) = a(s_1(t_1), \dots, s_n(t_n))$ and $p'_i(t_1, \dots, t_n) = p_i(s_1(t_1), \dots, s_n(t_n))$. Now since each s_i is a dominant strategy for player i , then for every t_i, x_{-i}, x'_i we have that $v_i(t_i, a(s_i(t_i), x_{-i})) - p_i(s_i(t_i), x_{-i}) \geq v_i(t_i, a(x'_i, x_{-i})) - p_i(x'_i, x_{-i})$. Thus in particular this is true for all $x_{-i} = s_{-i}(t_{-i})$ and any $x'_i = s_i(t'_i)$, which gives the definition of incentive compatibility of the mechanism (f, p'_1, \dots, p'_n) . □