

A FOUNDATION OF DYNAMIC BARGAINING WITH INCOMPLETE INFORMATION

Very preliminary and incomplete

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Abstract

This paper provides a framework for analyzing mechanism design problems with limited, or without commitment that is applicable to infinite horizon models. We prove a “revelation principle” for dynamic environments with limited commitment for a general formulation that allows the principal to control the level of transparency of mechanisms. We also provide, under certain assumptions, a foundation for take-it-or-leave-it offers in dynamic bargaining and for posted prices in the durable good monopoly literature.

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