

Ex. 9.13 Correction. (Thanks to Yong Wang, Ph.D. student, Chicago)

Suppose there are N bidders with independent private values where bidder i 's value is uniform on $[a_i, b_i]$. Show that the following is a revenue maximizing incentive compatible direct selling mechanism. Each bidder reports his value. Given the reported values v_1, \dots, v_N , bidder i wins the object if v_i is strictly larger than the $N - 1$ numbers of the form $\max[a_j, b_j/2 + \max(0, v_j - b_j/2)]$ for $j \neq i$. Bidder i then pays the seller an amount equal to the largest of these $N - 1$ numbers. All other bidders pay nothing.