

Accepted Manuscript

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PII: S0022-0531(18)30248-5
DOI: <https://doi.org/10.1016/j.jet.2018.06.001>
Reference: YJETH 4794

To appear in: *Journal of Economic Theory*

Received date: 17 March 2017
Revised date: 1 June 2018
Accepted date: 3 June 2018

Please cite this article in press as: Peck, J. Competing Mechanisms with Multi-Unit Consumer Demand. *J. Econ. Theory* (2018), <https://doi.org/10.1016/j.jet.2018.06.001>

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Competing Mechanisms with Multi-Unit Consumer Demand

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Abstract

The competing mechanisms literature is extended to a market setting in which firms have fixed capacity, and there is a continuum of consumers who desire multiple units and can only purchase from one firm. Firms choose incentive compatible mechanisms in which consumers report their utility types; consumption of the good and payments of the numeraire are continuous functions of the reports. Uniform price auctions with reserve prices, reinterpreted as direct mechanisms, are not consistent with equilibrium. However, modified auctions without reserve prices but with type-specific entry fees do constitute an equilibrium of the competing mechanisms game under additional regularity assumptions. When all firms announce fixed prices at the perfectly competitive level, this profile also constitutes an equilibrium of the competing mechanisms game.

keywords: competing mechanisms, multi-unit demand, entry fees

JEL classification codes: D4, D82, L13

^{*}This is a revision of the paper previously titled “Ski-Lift Pricing with Imperfect Competition: An Exercise in Competing Mechanisms.” I am grateful to an associate editor and two referees, whose comments were extremely helpful. I am also grateful for helpful comments and discussions from Yaron Azrieli, PJ Healy, Dan Levin, and seminar participants at Ohio State and London Business School. Corresponding address: 1945 N. High St., Columbus, OH 43210. E-mail address: peck.33@osu.edu.

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