

Abstract: This paper studies mechanism design with limited commitment, including a durable-good monopoly problem as a representative application. The literature suggests that the principal may have a strong incentive of controlling the communication with the agent, in particular the amount of information the later-period principal learns about the agent's message at the current (or past) periods. Pursuing this direction, we take a fictitious mediator's approach (as a representation of any admissible information structure in the game). Through several examples and an analysis of a durable-good monopoly problem, we obtain some key insights about the principal's optimal information structure and the value of commitment (or the cost of limited commitment) for the principle.