A MULTISTAGE MECHANISM FOR MANAGING AGGRESSIVE FLOWS IN THE NEXT GENERATION INTERNET

Diego Lanzi

Department of Economics, University of Bologna

December 2001

JEL Classi...cation: D78, C72, L86

Key Words: INTERNET, SUBGAME IMPLEMENTATION, NETWORK CONGESTION

Abstract: In this note, we provide a multistage game form which may be used for managing aggressive ‡ows which may cause network congestion or monopolisation. The mechanism here presented attains economic e¢ciency, technical e¢ciency and other desirable properties.

1 Introduction

An information network can be seen as a facility used by heterogeneous subjects for communicating and/or creating immaterial added value. The public Internet and the other networks¹ are complex, open or closed, webs through which it is possible to exchange goods, services and information. Moreover, the growing commercial use of the Internet, has shown that a network can be also used as an e-market locus in which continuous time transactions between delocalized agents take place. Hence, access conditions are a crucial issue for any network's user as far as informative advantages, quick communications and real-time exchanges frequently mean higher welfare.

Independently by the kind of network we deal with, if network's traf-...c is higher than its capacity problems of congestion may arise as well as the need of a precise charging mechanism for using the net. Whenever network resources are insu¢cient for the aggregate demand of transit, economic ef...ciency imposes to relate usage and paid price in order to give priority to those consumers which give more value to their ‡ows. In periods of congestion, some users have to be rationed (i.e. their ‡ows must be delayed) and an anonymous mechanism is necessary in order to decide which ‡ows will or not be postponed.

Economic analysis has mainly purposed two di¤erent kinds of charging mechanisms². On the one hand, Generalized Vickrey Auctions ³, where consumers announce at a given time their willingness to pay by bidding for bandwidth. On the other, Dynamic volume pricing models where the network provider sets a base-price for bandwidth adjusting it according to the loan of the network. In the former case, bids lower than transportation costs are rejected and auction's winners pay the lower market-clearing price. In the latter, a well-de…ned function describes, at any node, the price increase

¹See Odlyzlo (2000) for a nice contribution on utilisation of di¤erent information networks.

²See for a survery Fankhauser et al. (2000).

³Originally MacKie and Varian (1994) have suggested to use a Vickrey auction for pricing network usage. More recently some extensions of this idea have been studied by Fankhauser et al. (2000).

due to congestion. Both mechanisms are characterized by a unique stage in which users submit bids or receive prices for packets⁴.

In what follows, we present a multistage mechanism which ful...Ils some desirable properties like economic ecciency (giving more bandwidth to more valued transits) or network ecciency (described in terms of full capacity utilization). Furthermore, as we will see, our mechanism is universal in the sense that it may be easily applied to any kind of network or inteconnection.

Our analytical set up is inspired to the well known literature on non-cooperative implementation under complete information⁵ and, more precisely, to subgame perfect implementation⁶. As it will be argued, using the following game form, a unique subgame equilibrium will be reached with full attainment of some desirable properties.

The paper is organized as follows. In section 2 we de...ne our set up and we introduce our mechanism. Section 3 contains the full characterisation of our multi-stage game form, while section 4 states some general properties of a mechanism aimed to manage network congestion and our central result. As usual, the last section is reserved to comments and conclusions.

2 The Network Model

The commercial use of an information, packet-based network arises some well-known issues concerning how charging, accounting and billing users' differentiated tra¢c (i.e. electronic commerce, marketplaces, e-mail etc.). The best architecture for protocols aimed to exploit these functions clearly depend on network structure. Network nodes are normally referred as hosts that exchange data directly (end-to-end connection) or indirectly through routers. A router is able to identify di¤erent network paths available for delivering packets. Data ‡ows are normaly visible to hosts and routers by identi...cation tags. As clearly stated by Fankhauser et al. (1999), some supports are necessary for hosts and routers in order to charge and account ‡ows. These supports include an application programming interface (API) for collecting

⁴ For recent advancements in this ...eld of research see MacKie-Mason et al. (1999).

⁵ See for an introduction to the theory of implementation Corchòn (1998).

⁶See Moore and Repullo (1988).

data, accounting tra Φ c and doing bandwith reservations. Furthermore, accounting protocols de...ne a fuction from a given resource usage into technical values which may be used for charging and scheduling packets.

Monitoring network tra¢c and, in particular, aggressive ‡ows is a fairly important issue if the network may be congested by eccessive usage. In absence of congestion a ‡at fee pricing scheme for covering access and set up costs is economically e¢cient given usage costs almost equal to zero. Nevetheless, in the case of congestion, a policy layer and a processing layer are needed. The former is used to implement a mechanism aimed to manage ‡ows, assigning bandwith and relative charges to any user. The latter detects packets conditions assinging them header information and works as a packet scheduler. These layers, located in hosts and routers, de...ne the access policy of a service provider based on network status (in terms of bandwith) and data volume.

In order to design a possible mechanism to control ‡ows, a precise network model must be speci…ed. Let we suppose to have a information network used by a service provider (for instance Internet service providers or Internet Backbones) to transit a given amount of bytes from one host to another. This network truncation has a given transit-capacity C. Two kinds of connections are possible between our hosts: an end-to end one (hosts to hosts) or a router mediated connection. Such a router is also linked to one or more additional hosts which may be used to send data trought alternative paths. The following schede illustrates our network components.

INSERT FIGURE 1

In principle and given a speci...ed network structure, a mechanism used to manage network resources must be able to determine ecient outcomes. Moreover, it might detect and prevent congestion periods, minimising delays and losses which may decrease users' utility. In what follows, we specify a mechanism mainly thought to deal with aggressive data ‡ows.

3 A Multistage Mechanism for Managing Aggressive Flows

Let us suppose that at time t a given set of users need to use network bandwith. Denote this set with H (t) 7 . Any agent submits an initial capacity request, in terms of bandwith, equal to ! $_h$ for 8h 2 H (t). For the sake of tractability, only two types of users are allowed: heavy and light ones 8 . An user is identi...ed as heavy if and only if ! $_h$ $_{\circ}$ $\frac{C}{2}$. A given share $^{\circ}$ of network capacity is reserved for the latters and their aggressive $^{\circ}$ tows. Obviously the complementary portion of C is available for light users. Any heavy user is direct to the router. Hence, only light users are admitted to end to end connection. Additionally, let us assume homogeneous value packets for each agent. In this case, normalizing a packet's value at one, we have that users' loss function will be equal to $I_h = v_h i_l e_h$ for any I_h , where I_h is the capacity shortage they face. Obviously, $I_h^{max} = v_h$ and $I_h^{min} = 0$: A three-stage mechnism is adopted to manage I_h to some set of users are necessarily and $I_h^{min} = 0$.

First Stage

A Scheduling Stage where, through identi...cation tags, the two class of users are recognized. Among the light ones, a sequece of sets

$$\tilde{A}$$
 \tilde{A} \mathbb{X}^{1} !!

 $K_{1}(t); K_{2}(t + "_{1});; K_{p} t + "_{s}$
 $S = 1$ (1)

is randomly built such that, for 8s;

$$K_s(t) = h 2 H (t) : X_h = (1_i) C$$
 (2)

⁷Additionally suppose that at time t-1 the network is empty. In this way is possible to avoid problems of initialisation. See on the topic Akamatsu e Kuwahara (1997).

⁸See for this distinction Crèmer and Harinton (1999).

" is a congestion delay which will be cumulated by last users. This variable may be used to assign priority to some agent, giving them an higher probability to be in the next set of users⁹, or as a mean to identify packets which may be refused¹⁰. All these agents pay a ‡at fee equal to f_L succently high to cover service provider's costs. Heavy users $R(t) = H(t)_i = \int_s K_s(t)$ are randomly matched building a sequence of couple af agent (i;j) given by, if Card (R(t)) is an even numer,

(
$$(i;j)_{1}^{t};(i;j)_{2}^{t+"_{1}};...;(i;j)_{\frac{jR(t)j}{2}}^{t+\frac{P}{2}\frac{jR(t)j}{2}};_{s}$$
(3)

or, alternatively, with an odd number of users

$$((i;j)_{1}^{t};(i;j)_{2}^{t+"_{1}};...;(i;j)_{\underline{iR(t)}\underline{i},\underline{1}}^{\underline{iR(t)}\underline{i},\underline{1}};_{s};(i)^{t+\underline{P}}_{\underline{iR(t)}\underline{i},\underline{1}}^{\underline{iR(t)}\underline{i},\underline{1}})$$
(4)

Each agent receives a precise information about its position in the sequence (3) or (4) and his/her waiting time. Thus, they are free to decide whether or not to leave the queue, dropping the connection. Let I (t) the set of agents that remain in the queue and f_H (with f_H , f_L) the ‡at fee paid by these agents independently by any congestion delay. Remaining users h 2 H (t) i $[K_s(t)] [I(t)]$ is switched to an alternative route.

Second Stage

 $^{^9}$ This becomes crucially important if new agents ask for bandwith at time t+1. In the last case, users form period t will have absolute periority in the composition of the new sequence of sets K_1 (t + 1); K_2 (t + 1 + " $_1$); ::::; K_p t + 1 + $\sum_{s=1}^{p_i-1}$ " $_s$

¹⁰Any service provider may, for instance, ...x a maximum admissible delay for post-poned users, deciding, in this way, how many ‡ows refuse directly at time t.

For any (i;j) 2 I (t) a new Reservation Stage asks for new bandwith request (v) given the possibility of congestion. Call $\mathfrak{E} = \mathfrak{B}C$ the network capacity between our router and the receiving host.

If $v_i + v_j$ \mathfrak{E} , no congestion occurs. In this case exective transits e are equal to capacity reservations and the price paid, t; for any sent packet is equal to its marginal cost \mathfrak{E} ; reasonably near to zero. Let we call this solution no congestion outcome (NCO).

Contrary if $v_i + v_j > \mathfrak{E}$; there is exective congestion and the problem of how to allocate capacity does emerge. Following precise instructions received by the service provider, each agent cannot bid a capacity reservation higher than \mathfrak{E} .

Let we suppose, without loss of generality, that $v_i > v_j$ and call b the market value¹¹ of v in periods of congestion. Once the service provider has veri…ed that exective congestion occurs, it sends to any user information about the market value of their capacity reservations.

Third Stage

Finally, the Bids Stage where agents submit bids for priority, p; revealing their willingness to pay for reserved transits. Using, last bids the service provider decides how to allocate network capacity among users.

Our last two stages may be describe more precisely as follows: any user h 2 (i; j) can choose a certain capacity reservation v_h 2 V_h $v_h j v_h$ 2 0; $v_h j v_h$ 3 for h = i; j and a preference consistent bid for priority v_h 2 P $v_h j v_h$ 2 P. Hence, users' strategy sets are de…ned as $v_h j v_h j v_h$ 3 ($v_h j v_h j v_h$) $v_h j v_h$ 4. An outcome function $v_h j v_h$ 5 E decides exective transits for any user, where $v_h j v_h$ 6. At time t; the unique reachable solution is what we have call NCO. If this is not the case, the outcome function may lead to three alternative results described below.

De...nition 1 In the case of congestion, if ${}_h p_h$ ${}_h b_h$ a Capacity Splitting Rule (henceforth CSR) equally divides network capacity between users, i.e. $e_h = \mathfrak{E}=2$ for 8h:

$$b_h \,=\, a_h t_h$$

where a_h is the application price and t_h a tra $\c c$ factor.

¹¹This will be rekoned, following Muller (1997), by the service provider as any h

Under a CSR, both agents are asked to share network capacity since what they can pay for transits is lower than what the service provider expects to earn. Both users pay a price equal to the usage marginal cost $t_h = \mathfrak{E}$ for 8h and they face a capacity shortage (or excess) equal to $t_h = \mathfrak{E}$

(i) $p_{h,j}$ $b_{h,j}$ 0, $p_{i,h,j}$ $b_{i,h}$ for h = i; j, that is, a user h bids for his/her transit a value higher than b_h and the other consumer a value lower than b_i

(ii) $p_h > b_h$ for 8 h.

Consistently, we de...ne for (i)

De...nition 2 In the case of congestion, if $p_{h~i}~b_{h}~>~0$, $p_{i~h~i}~b_{i~h}$ for h=i;j a Bid Di¤erential Rule (henceforth BDR) decides for $v_h=e_h$ and $e_{i h} = e_{i e_{h}}$

Under a BDR, agent h pays exactly his/her bid $(t_h = p_h)$ with $'_h =$ 0. The other agent obtains residual transit given a certain network capacity, paying a tarix equal to $t_{i h} = \frac{e_{i h}}{v_{i h}} p_{i h}$ and getting $'_{i h} = v_{i h i} e_{i h} =$ less transits. As it is straightforward t_i h decreases the lower is agent i h's exective transit with respect his starting capacity reservation and it increases the higher is his second stage bid.

Finally, in the case (ii), we use the following rule

De...nition 3 If p_h > b_h for 8h a Relative Bids Ratio Rule (henceforth RBRR) assigns exective transit through a relative bids ratio B; equal to

$$B = \frac{p_h = v_h}{p_{i h} = v_{i h}}$$

By construction, exective transits, applying a RBRR, are given by:

$$e_h = \frac{\mu}{1 + B} \frac{\P}{e}$$
 (5)

$$e_{ih} = 1_{i} \frac{B}{1+B} e = \frac{1}{1+B} e$$
 (6)

In this outcome, each agent pays his second stage bid and capacity shortage are shared between network's users.

Manipulating expression (1), we can easily write $e_h = \frac{p_h v_i \, h}{v_h p_i \, h} + v_i \, h p_h$ and this allow us to show a basic property of this rule: relatively more valued transit obtains higher priority. To see this take the following ...rst order partial derivatives:

$$\frac{@e_{h}}{@v_{h}} = \frac{i p_{h}v_{i} e^{p_{i} h}}{[v_{h}p_{i} h + v_{i} hp_{h}]^{2}} < 0$$

$$\frac{@e_{h}}{@p_{h}} = \frac{v_{h}v_{i} e^{p_{i} h}}{[v_{h}p_{i} h + v_{i} hp_{h}]^{2}} > 0$$
(7)

Intuitively, (2) says that agent h will get higher exective transit with respect to what he needs, the lower his capacity reservation and the higher his relative second stage bids are. The rule works symmetrically for agent i h.

Summing up, we can describe our two-stage mechanism using the following tree structure¹²

INSERT FIGURE 2

In the next section we will show how our proposal satis...es some nice properties in managing networks' usage during congestions.

¹² For a similar mechanism see Jackson and Moulin (1992).

4 The Properties and The Theorem

As stressed in the introduction, we can draw some nice properties for a mechanism aimed to reduce ine¢ciencies due to networks congestion. It seems reasonable to require that: ...rstly such a mechanism ensures allocative and technical e¢ciency, secondly that it may be easily applied at any level of a information network¹³, ...nally that it might be able to prevent periods of congestion to phase out. More precisely:

Property EE (Economic Eciency) A mechanism satis...es economic eciency if under congestion assigns priority to more valued transit; i.e. e $_h > e_{i h}$ if p $_h = b_h > p_{i h} = b_{i h}$.

Property U (Universality): A mechanism is universal if it can be applied to any network truncation..

Property NE (Network Eciency): A mechanism satis...es network eciency if under congestion it ensures full utilization of network capacity; i.e. eh + ei h = e:

Property NCEn (No Congestion Enforcing): A mechanism is no congestion enforcing if $v_h = \frac{e}{2}$ for 8h.

We are now able to prove the following:

Theorem: For any (i;j) 2 I (t) the mechanism proposed satis...es EE, NE, NCEn and U.

Proof. See Appendix ■

¹³ For the Internet this means to Local Access Network as well as to Regional Service Provider Networks as well as to End to End Backbone Networks.

5 Discussion

The mechanism here presented has some appealing features in managing network congestions due to aggressive ‡ows. First of all, it is relatively simple and universal. Secondly it enforces full utilization of network resources and absence of congestion. This multistage structure allows full control of aggressive ‡ows. It also sistematically reserve network resources to light data ‡ows avoiding a network monopolisation by heavy users.

Di¤erently by many existing pricing model for internet applications¹⁴, it avoids congestion, at least between heavy users, since they decide to share network capacity. If some agent needs more than his/her share of capacity, he/she may decide to congest the network, trying to get more transit at an higher price. Nevertheless, this will be an ine¢cient strategy. In opposition, it will be preferable paying a price equal to usage marginal costs (almost equal to zero) and employing saved resources to interconnect with a new service provider (i.e. multihoming).

A precise normative viewpoint is implicit in such a solution. Any network is a globalized pure or impure public good¹⁵. Hence, it is socially preferable not to have few almost-congested service providers, used by well endowed auction winners (at a price higher than usage marginal cost) and in which losers always wait Contrary, it might be better to ensure equal access to existing network resources, simply using excess demand to multiply provides and, hence, increasing facility-based competition. From an individual perspective, since any bid-based rationing is anonymous, it might be possible to be the relatively poor heavy user and thus the auction loser. Her/his transits will be post-poned with the consequent maximum loss.

Obviously, our mechanism must be linked with ‡at-fee pricing schemes aimed to cover service provider's access and set up costs. However, these schemes may easily co-exist in real networks. Finally, our mechanism deal with only transport prices, while a pricing scheme may be necessary also for content delivery¹⁶.

¹⁴For a survey see Leinen et al. (2001).

¹⁵ For a de...nition and discussion of global public good see Grunberg et al. (1999).

¹⁶See Fankhauser et al. (1998)

Appendix

Proof of the Theorem:

For property U:

By construction our set of rules is not dependent on the kind of connection and on the hierachical position of network's users (i.e. IB-IB, IB-ISP, ISP-ISP, ISP-user). Hence, it can be applied to any network rami...cation.

For properties NCEn and NE:

Let we consider the second stage. For agent h 2 (i; j):

- Claim 1) if $p_{i,h} < b_{\stackrel{\bullet}{P}^h}$ then: (i) if p_h b_h then $b_h p_h < b_h b_h$ thus the CSR is applied with $t_h = \mathfrak{E}$ and $\binom{esr}{h} = v_h i \frac{e}{2}$
- (ii) if $p_h > b_h$ then with probability, say, equal to q we will have that $p_{h\,i}\,b_h < b_{i\,h\,i}\,p_{i\,h}$ and the CSR works. Hence, $t_h = p_h$ and ' $^{esr}_h = v_{h\,i}\,\frac{e}{2}$. With the complementary probability (1 $_{i}$ q); we may have that $p_{h i}$ $b_{h} >$ $b_{i h j} p_{i h}$: Then the FBDA is applied. For agent h we have that $t_{h} = p_{h}$ and $^{'}_{h}^{BDR} = 0$. Since it is always true that $q'_{h}^{eSR} + (1_{i}_{h}^{eSR} + (1$ agent h's best reply to $p_{i,h} < b_{i,h}$ will be to bid $p_h > b_h$.

Claim 2) if $p_{i,h} = b_{i,h}$ then:

- (i) a CSR is used for p_h b_h with $t_h = \mathfrak{E}$ and \mathfrak{E}_h and \mathfrak{E}_h
- (ii) if $p_h > b_h$ then $h_h p_h > h_h b_h$ a FBDA works. Consequently, $t_h = p_h$ and ' $_h^{FBDA} = 0$. It is straightforward to prove that even in this case $p_h > b_h$ is a best reply.

Claim 3) if $p_{i,h} > b_{i,h}$ then:

- (i) if $p_h = b_h$ then a BDR is applied and $t_h = \frac{e_h}{v}p_h$ and $b_h^{BDR} = v_h + b_h^{BDR}$
- v_{ihi}e (ij) if $p_h > p_h$ a RBRR is used to manage congestion and $t_h = p_h$, 'RBRR = v_h i $\frac{B}{1+B}$
- (iii) ...nally, if $p_h < b_h$ we can get, with probability q, $p_h > p_h > b_h$ thus applying a BDR with $t_h = \frac{e_h}{v} p_h$ and $b_h = v_h + v_{i,h,h} < c$ or, with

the complementary probability, we may have $P_h p_h p_h p_h p_h p_h$. In the latter case a CSR works and $t_h = \mathfrak{E}$ and $P_h p_h p_h p_h p_h p_h p_h$. Agent h knows that increasing his second stage bids he/she may obtain, if $p_{i,h} > b_{i,h}$ and he/she bids a price p_h supleciently high, a larger share of network capacity. To show this, we can take the following limit given a certain $p_{i,h}$

$$\begin{split} \lim_{p_{hi}\,!\,\;1} e_h &= \lim_{p_{hi}\,!\,\;1} \frac{\mu}{1+B} \underbrace{\frac{B}{1+B}}_{\text{Phi}\,!\,\;1} \frac{\frac{\frac{p_h}{p_h} - \frac{v_{i,h}}{v_{i,h}}}{\frac{p_h}{p_{i,h}} - \frac{v_{i,h}}{v_{h}}}}_{\text{1} + \frac{p_h}{p_{i,h}} - \frac{v_{i,h}}{v_{h}}} e = e \end{split}$$

In this way, B>1 and it will be true that ' $_h^{RBRR}<_h^{BBR}$,' $_h^{RBRR}<_h^{BBR}$. Hence in case (iii), each agent will bid a price higher than b: In some sense, this rule is provider's revenue maximizing¹⁷.

Joining claims 1-3, we may conclude that $p_h > b_h$ is a dominant strategy for each agent. Hence, in the second stage a RBRR always works.

Now we can move backward to the ...rst stage.

If $_h v_h$ @ no congestion occurs and ' $_{\P} = 0$ for 8h. In the remaining case, a RBRR works with ' $_i = v_i$ $_i$ $_{1+B}$ @ and ' $_j = v_j$ $_i$ $_{1+B}$ @. Rationally any agent will

$$\underset{v_{h} 2[0;\mathfrak{E}]}{\text{min}} \ \ _{h} \ \ \underset{v_{h} 2[0;\mathfrak{E}]}{\text{max}} \ \ _{l_{h}}$$

or equivalently given second stage's outcomes:

¹⁷ For a discussion of the so called revenue e⊄ciency see Fankhauser et al. (1998).

and

$$\underset{v_{j}}{\text{min}} \quad v_{j i} \quad \frac{p_{j} v_{i}}{v_{i} p_{j} + v_{j} p_{i}} e^{\P}$$
s:t: v_{j} e (9)

Thus, the two Lagrangians are equal to:

$$L_{i} = v_{i} i \frac{p_{i}v_{j}}{v_{i}p_{j} + v_{j}p_{i}} e_{i} \cdot e_{i} v_{i}$$

$$L_{j} = v_{j} i \frac{p_{j}v_{i}}{v_{i}p_{j} + v_{j}p_{i}} e_{i} \cdot e_{i} v_{j}$$

$$(10)$$

Applying Kuhn-Tucker conditions to expressions (6), we easily get that if $_{s}=0$ than it must be that $(v_{i}p_{j}+v_{j}p_{i})^{2}=_{i}p_{i}v_{j}p_{j}\mathfrak{E}$ and $(v_{i}p_{j}+v_{j}p_{i})^{2}=_{i}p_{i}v_{i}p_{j}\mathfrak{E}$. Clearly a contradiction.

Under a RBRR both agents will ask for all network capacity, inducing congestion and getting

However, both network users knows that if they avoid congestion, bidding $v_i = v_j = \frac{\mathfrak{E}}{2}$ they get ' $_i^{N\mathfrak{E}O} = '_j^{N\mathfrak{E}O} = 0$. In the ...rst stage simultaneous

$$v_{i} = \mathfrak{E} \qquad v_{j} = \mathfrak{E} \qquad v_{j} = \frac{\mathfrak{E}}{2}$$

$$v_{i} = \mathfrak{E} \qquad \frac{p_{j}}{p_{i} + p_{j}} \mathfrak{E}; \frac{p_{i}}{p_{i} + p_{j}} \mathfrak{E} \qquad \frac{2p_{j}}{p_{i} + 2p_{j}} \mathfrak{E}; \frac{p_{i}}{2p_{i} + 2p_{j}} \mathfrak{E}$$

$$v_{i} = \frac{\mathfrak{E}}{2} \qquad \frac{p_{j}}{4p_{i} + 2p_{i}} \mathfrak{E}; \frac{2p_{i}}{p_{i} + 2p_{i}} \mathfrak{E} \qquad 0; 0$$

As it is possible to notice, $\frac{\mathfrak{G}}{2}$ is a dominant strategy for both players. Hence, in the subgame perfect equilibrium we will have that:

$$\mathbf{X} \quad \mathbf{v}_{i}^{\mathbf{x}} = \mathbf{v}_{j}^{\mathbf{x}} = \frac{\mathbf{e}}{2}$$

$$\mathbf{v}_{h}^{\mathbf{x}} = \mathbf{e}$$

This does ensure NE and NCEc.

For property EE:

Trivially, without congestion no problems of priority to higher-valued tra $\$ c emerge. In the case that one or both agents decide to bid for the whole network capacity, because of some trembling hand deviations, economic e $\$ ciency does require that, under a RBRR, if $\frac{p_i}{v_i} > \frac{p_j}{v_j}$ then $e_i > e_j$. Using (1) we can easily check that this holds.

References

Corchòn L.C. (1998) "The Theory of Implementation of Socially Optimal Decisions in Economics", Clarendon Press, Oxford

Crèmer J., Harinton C. (1999) "The Pricing of Critical Applications in the Internet", Journal of Japanese and International Economics, 13(4), pp.281-310

Fankhauser G., Plattner B., Stiller B., Weiler N. (1998) "Charging and Accounting for Integrated Internet Services", INET, Geneva

Fankhauser G., Plattner B., Stiller B. (2000) "Chargingn of Multimedia Flows in an Integrated Services Network", CENL Discussion Paper n.206, Zurig

Fankhauser G., Reichl P., Stiller B. (2000) "Auction Models for Multiprovider Internet Connections", CENL Discussion Paper n.203, Zurich

Fankhauser G., Plattner B., Stiller B. (1999) "Arrow: A Flexible Architecture for an Accounting and Charging Infrastructure in the Next Generation Internet", Netnomics, 1(2), pp.201-223

Grunberg I., Kaul I., Stern M.A. (1999) (Eds) "Global Public Goods", Oxford University Press, New York

Jackson M., Moulin H. (1992) "Implementing a Public Project and Distributing its Costs", Journal of Economic Theory, 57, pp.125-140

Leinen S., Reichl P., Stiller B. (2001) "Pricing and Cost Recovery for Internet Services: Practical Review, Classi...cation, and Application of Relevant Models", Netnomics, 3(2) pp.149-171

Mackie-Mason J.K., Varian H.L. (1994) "Pricing the Internet" in Kahin and Keller (Eds) "Public Access to the Internet", Prentice Hall Edition

Mackie-Mason J.K., Walsh W.E., Wellman M.P., Wurman P.R. (1999) "Auction Protocols for Decentralized Scheduling", Working Paper n.347, Department of Economics, University of Michigan

Muller M. (1997) "Analyse und Entwurf von Tari...erungsmodellen fur Kommunicationsdienste", TIK, ETH Zurich

Moore J., Repullo R. (1988) "Subgame Perfect Implementation", Econometrica, 56, pp.1191-1220

Odlyzko A. (2000) "The Internet and other Networks: Utilization Rates and their Implications", Information Economics and Policy, 12, pp.341-365