

Shinozaki, Hiroki; Serizawa, Shigehiro

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**CONSTRAINED EFFICIENCY AND
STRATEGY-PROOFNESS IN PACKAGE
ASSIGNMENT PROBLEMS WITH MONEY**

Hiroki Shinozaki
Shigehiro Serizawa

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The Institute of Social and Economic Research
The University of Osaka
6-1 Mihogaoka, Ibaraki, Osaka 567-0047, Japan

Constrained efficiency and strategy-proofness in package assignment problems with money^{*}

Hiroki Shinozaki[†]

Shigehiro Serizawa[‡]

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Abstract

We consider a package assignment problem with money, in which a set M of objects is allocated to agents. Each agent has preferences that are not necessarily quasi-linear. The *admissible* set of object allocations is chosen by the planner to pursue specific objectives in conjunction with the rule. A rule satisfies *constrained efficiency* if no allocation—whose object allocation is admissible under the rule—Pareto dominates the outcome allocation. We study the compatibility between constraints on admissible object allocations and desirable properties of rules, and establish: *A rule satisfies constrained efficiency and strategy-proofness, together with other mild properties, if and only if its admissible set is bundling unit-demand for some partition of M , satisfies no wastage and anonymity, and the rule is a bundling unit-demand minimum price Walrasian rule.*

JEL Classification Numbers. D44, D47, D71, D82

Keywords. Constrained efficiency, Strategy-proofness, Non-quasi-linear preferences, Minimum price Walrasian rule, Package auctions

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[†]Hitotsubashi Institute for Advanced Study, Hitotsubashi University. Email: shinozaki@con@gmail.com

[‡]Faculty of Economics, Osaka University of Economics. Email: serizawa.8558@gmail.com

1 Introduction

1.1 Constraints in auctions

Since the 1990s, governments in many countries have used auctions to allocate frequency licenses to cellphone carriers. These auctions not only generate substantial revenue but also have significant economic implications. In such auctions, it is common to impose constraints on license allocations. For example, to prevent monopolistic power or to ensure broader participation among carriers, a single carrier is often limited in the number of licenses it can acquire.¹ In some cases, certain licenses are set aside for new entrants to promote their participation in the cellphone market.² Because electromagnetic frequencies are physically continuous, the allocation of frequency licenses is inherently flexible. However, licenses are bundled into specific frequency bands before the auction, and each carrier is allowed to obtain only one or a few such bundled bands. This bundling introduces a constraint on the allocation. Similar constraints frequently arise in other public auctions—for example, those involving land, housing, or other public assets distributed to citizens.

1.2 Compatibility between constraints and desirable properties

Although constraints are introduced to promote desirable allocations, their effects are not necessarily compatible with fundamental properties of rules—such as efficiency and incentive compatibility. For example, by limiting the flexibility of allocations, constraints may compromise efficiency. Therefore, it is essential to examine how such constraints interact with these properties. This paper investigates the compatibility between constraints on object allocations and desirable rule properties, and characterizes the rules that satisfy both.

1.3 Main results

1.3.1 Model description

We consider a model with a set N of agents and a set M of objects. Each agent receives a package of objects and makes a payment. Agents have preferences over package–payment pairs. Preferences are not necessarily quasi-linear and may therefore capture income effects

¹For example, frequency license auctions in the USA (2020), UK (2018, 2021), France (2020), Italy (2018), Australia (2021), Korea (2018), and Spain (2018, 2022), among others.

²For example, frequency license auctions in Canada (2019, 2021), Korea (2024), and Belgium (2022), among others.

and financial constraints—features that are particularly relevant in large-scale auctions, such as frequency license auctions and other public resource allocations.

A (*feasible*) *object allocation* specifies how objects are assigned to agents. An *allocation* includes both an object allocation and the agents' payments. An *allocation rule*, or a *rule* for short, is a function from a set of preference profiles to the set of admissible allocations.

We distinguish between *feasibility* and *admissibility* of object allocations. The *feasible set* is determined by technological constraints outside the planner's control, whereas the *admissible set* is a subset of the feasible set, chosen by the planner to achieve specific objectives in conjunction with the rule. Importantly, the admissible set is not exogenous but is defined as part of the rule itself: an *admissible object allocation* is one that can arise for some preference profile under the rule. In other words, the admissible set corresponds to the range of object allocations under the rule.

1.3.2 Desirable properties of rules

The planner is concerned only with her total revenue from an allocation. An allocation *Pareto dominates* another if each agent and the planner weakly prefer the former to the latter, and at least one agent or the planner strictly prefers it. *Pareto efficiency* requires that a rule select an allocation that is not dominated by any other allocation. *Constrained efficiency* requires that a rule select an allocation that is not dominated by any other allocation whose object allocation is admissible under the rule. Thus, *constrained efficiency* corresponds to *Pareto efficiency* over the range of object allocations, without imposing any restrictions on payments. Since the admissible set is a subset of the feasible set, *constrained efficiency* is generally weaker than *Pareto efficiency*, unless the two sets coincide. The smaller the admissible set, the weaker the requirement of *constrained efficiency*. Thus, there is a trade-off: the stronger the requirement of *constrained efficiency*, the more diverse the set of admissible object allocations—though satisfying the stronger requirement becomes more demanding. A rule satisfies *no wastage* if all objects are allocated to agents. *No wastage* is also an efficiency requirement, though weaker than *Pareto efficiency*.

Strategy-proofness is a dominant strategy incentive compatibility condition, requiring that no agent ever benefit from misrepresenting his preferences. *Individual rationality* is a voluntary participation condition, requiring that each agent find his assigned package–payment pair at least as desirable as receiving no object and paying nothing. *No subsidy* is a condition that prevents disinterested agents from participating in the rule solely to obtain subsidies,

requiring that each agent’s payment always be non-negative. *Equal treatment of equals* is a fundamental fairness condition, requiring that whenever two agents have identical preferences, they receive the same level of welfare.

1.3.3 Constraints compatible with desirable properties

We first investigate which admissible sets of object allocations are compatible with the desirable properties of *constrained efficiency*, *no wastage*, *equal treatment of equals*, *strategy-proofness*, *individual rationality*, and *no subsidy*.

A *constraint* is a subset of the set of feasible object allocations. Note that the admissible set of object allocations under a rule is itself a constraint. A constraint satisfies *anonymity* if for each object allocation in the constraint, any permutation of agents also yields an object allocation that belongs to the constraint. A constraint satisfies *no wastage* if, in every object allocation that belongs to the constraint, all objects are assigned to agents.

Given a partition \mathcal{B} of M , a constraint is called *\mathcal{B} -bundling unit-demand* if, in each object allocation in the constraint, each agent is allowed to receive one package from \mathcal{B} or nothing. If each package in \mathcal{B} is interpreted as a single “object,” then the *\mathcal{B} -bundling unit-demand* constraint becomes essentially equivalent to the *unit-demand model*, in which each agent is allowed to receive at most one object.

We establish that: *if a rule satisfies constrained efficiency, no wastage, equal treatment of equals, strategy-proofness, individual rationality, and no subsidy, then the set of admissible object allocations must be \mathcal{B} -bundling unit-demand for some partition \mathcal{B} of M with at most $|N|$ elements, and must satisfy no wastage and anonymity (Proposition). Proposition thus shows that compatibility with these desirable properties imposes strong restrictions on the admissible set: it must be much smaller than the feasible set of object allocations, thereby necessarily sacrificing Pareto efficiency.*

1.4 Rules satisfying desirable properties

Next, we investigate rules that satisfy the desirable properties. As noted earlier, when the admissible set of object allocations is *\mathcal{B} -bundling unit-demand* and satisfies both *no wastage* and *anonymity*—as in the conclusion of Proposition—the mathematical structure of our model becomes equivalent to the unit-demand model à la Demange and Gale (1985), in which each agent may receive at most one object. In that setting, the *minimum price Walrasian (MPW) rules* not only exist but are also the only rules that satisfy *Pareto efficiency*, *strategy-*

proofness, individual rationality, and no subsidy (Demange and Gale, 1985; Morimoto and Serizawa, 2015; Wakabayashi et al., 2025). For any \mathcal{B} -bundling unit-demand constraint satisfying no wastage and anonymity, we define the counterpart of an MPW rule in our model, referred to as a *bundling minimum price Walrasian (MPW) rule*.

By applying the above characterization results in the unit-demand model together with [Proposition](#), we establish the following characterization: *A rule satisfies constrained efficiency, no wastage, equal treatment of equals, strategy-proofness, individual rationality, and no subsidy if and only if the set of admissible object allocations is \mathcal{B} -bundling unit-demand for some partition \mathcal{B} of M with at most $|N|$ elements, satisfies no wastage and anonymity, and the rule is a \mathcal{B} -bundling unit-demand MPW rule* ([Theorem](#)).

1.5 Implications of results

Our results ([Proposition](#) and [Theorem](#)) suggest that, unless the set of admissible object allocations is carefully selected, it is impossible to design a rule that satisfies the desirable properties. Moreover, they have a practical implication: if the planner aims to satisfy the desirable properties, then she must adopt a bundling unit-demand constraint satisfying no wastage anonymity, and must employ the associated bundling unit-demand MPW rule.

The constraints used in public auctions in many countries can be classified as bundling unit-demand constraints that satisfy both no wastage and anonymity.³ While a primary motivation for adopting such constraints has been to reduce the risk of collusion among bidders (Binmore and Klemperer, 2002), our results provide a novel rationale for this auction design: bundling unit-demand constraints are the only ones that permit the existence of a rule satisfying (*constrained*) *efficiency* and *strategy-proofness*.

1.6 Related literature

1.6.1 Quasi-linear preferences

The literature on object allocation problems with money is extensive. A common assumption in this literature is that agents have quasi-linear preferences. This assumption is particularly useful because it renders the problem of efficient object allocation equivalent to simply max-

³For example, the European 3G frequency license auctions in the U.K., the Netherlands, Italy, and Denmark, as well as recent auctions in Korea (2024), Hong Kong (2019), Finland (2018, 2020), and Poland (2023). Additionally, auctions allocating public housing to citizens inherently follow bundling unit-demand constraints.

imizing the sum of valuations.

One of the most celebrated results in the literature is that if a class of preferences consists solely of quasi-linear preferences and is sufficiently rich, then the Vickrey rules (Vickrey, 1961) are the only rules that satisfy *Pareto efficiency*, *strategy-proofness*, *individual rationality*, and *no subsidy* (see, e.g., Holmström, 1979; Chew and Serizawa, 2007). Notably, Holmström (1979)’s characterization continues to hold when *Pareto efficiency* is replaced by *constrained efficiency* and the Vickrey rules are replaced by the constrained Vickrey rules—that is, the constrained Vickrey rules are the only rules that satisfy *constrained efficiency*, *strategy-proofness*, *individual rationality*, and *no subsidy*.⁴ This paper contributes to the literature by extending Holmström (1979)’s result to settings with non-quasi-linear preferences, while also incorporating two additional but relatively weak requirements: a fairness condition—*equal treatment of equals*—and an efficiency condition—*no wastage*.

1.6.2 Non-quasi-linear preferences

Although the assumption of quasi-linear preferences is analytically convenient, it limits the applicability of results to situations where payments are small relative to agents’ incomes or budgets, such that income effects and budget constraints can be ignored. However, in many important applications of object allocation problems with money—such as frequency license auctions—payments are typically large, making income effects and budget constraints non-negligible. Motivated by this limitation, a growing literature has begun to examine object allocation problems with money under non-quasi-linear preferences.

Some studies in this literature assume that agents have unit-demand preferences. As discussed in [Section 1.4](#), when agents have unit-demand and non-quasi-linear preferences, the MPW rules are the only rules that satisfy *Pareto efficiency*, *strategy-proofness*, *individual rationality*, and *no subsidy* (see, e.g., Demange and Gale, 1985; Morimoto and Serizawa, 2015; Wakabayashi et al., 2025).

In contrast, other studies assume that agents have multi-demand preferences, as in this paper. A series of results has shown that when agents have multi-demand and non-quasi-linear preferences, no rule can simultaneously satisfy *Pareto efficiency* and *strategy-proofness*, along with other mild properties (see, e.g., Kazumura and Serizawa, 2016; Baisa, 2020; Malik and Mishra, 2021; Shinozaki et al., 2025). These impossibility results imply that at least one

⁴A *constrained Vickrey rule* modifies the standard Vickrey rule by restricting attention to admissible object allocations when determining the object allocation and the payments. See [Definition 3](#) in [Section 3.4.2](#) for the formal definition.

of these properties—*Pareto efficiency* and *strategy-proofness*—must be relaxed or abandoned in this setting. This paper contributes to the literature by relaxing *Pareto efficiency* to *constrained efficiency* and characterizing rules that satisfy the remaining desirable properties. Moreover, to the best of our knowledge, this is the first paper to explicitly study *constrained efficiency* and *strategy-proofness* in package assignment problems with money under quasi-linear or non-quasi-linear preferences.

The aforementioned studies assume that the set of admissible object allocations is exogenously given, whereas our framework allows the planner to endogenously determine this set as part of the rule design. In this respect, the models considered in those studies can be seen as special cases of our more general framework.⁵⁶

Although this paper focuses on constraints on object allocations, Andersson and Svensson (2014) study restrictions on payments in the unit-demand model with non-quasi-linear preferences. As Andersson and Svensson (2014) do not consider constraints on object allocations, this paper complements theirs.

1.6.3 Walrasian equilibrium allocation under constraints

Recently, several papers have investigated the existence and structure of (standard, non-bundling) Walrasian equilibrium allocations in package assignment problems with money under quasi-linear or non-quasi-linear preferences (see, e.g., Fleiner et al., 2019; Kojima et al., 2020; Schlegel, 2022; Baldwin et al., 2023; Nguyen and Vohra, 2024; Bando et al., 2025). While Walrasian rules—that is, rules that select a Walrasian equilibrium allocation for each preference profile—satisfy *Pareto efficiency* (or *constrained efficiency* in constrained settings), they generally fail to satisfy *strategy-proofness*. This paper complements these studies by focusing on rules that satisfy *strategy-proofness*.

1.7 Structure of the paper

The rest of the paper is organized as follows. [Section 2](#) introduces the model. [Section 3](#) presents the main results. [Section 4](#) concludes. All proofs are provided in the Appendix and the supplementary material.

⁵Two notable exceptions are Baisa (2020) and Shinozaki et al., (2025), which examine models with identical objects. Since the package assignment model studied in this paper accommodates heterogeneous objects, their models do not constitute special cases of the present framework.

⁶To be precise, our results do not imply theirs (and vice versa), as the previous studies do not explicitly assume fairness properties such as *equal treatment of equals*.

2 Model

There are $n \geq 2$ agents and $m \geq 1$ objects. The set of agents is denoted by $N \equiv \{1, \dots, n\}$. Our generic notations for agents are i, j, k , etc. The set of objects is denoted by M with $|M| = m$. Our generic notations for objects are a, b, c , etc. Let $\mathcal{M} \equiv 2^M$.⁷ A subset of M , i.e., an element of \mathcal{M} , is referred to as a **package**. Each agent $i \in N$ receives a package $A_i \in \mathcal{M}$ and pays $t_i \in \mathbb{R}$. A (consumption) pair of agent i consisting of a package and a payment is denoted by $z_i \equiv (A_i, t_i) \in \mathcal{M} \times \mathbb{R}$. Let $\mathbf{0} \equiv (\emptyset, 0) \in \mathcal{M} \times \mathbb{R}$ denote the pair where an agent receives no object and makes no payment.

2.1 Preferences

Each agent $i \in N$ has a complete and transitive preference R_i over $\mathcal{M} \times \mathbb{R}$. The strict and indifference relations associated with R_i are denoted by P_i and I_i , respectively. We assume that each preference R_i satisfies the following properties.

Money monotonicity. For each $A_i \in \mathcal{M}$ and each $t_i, t'_i \in \mathbb{R}$ with $t_i < t'_i$, we have $(A_i, t_i) P_i (A_i, t'_i)$.

Object monotonicity. For each $A_i, A'_i \in \mathcal{M}$ with $A'_i \subsetneq A_i$ and each $t_i \in \mathbb{R}$, we have $(A_i, t_i) P_i (A'_i, t_i)$.

Possibility of compensation. For each $z_i \in \mathcal{M} \times \mathbb{R}$ and each $A_i \in \mathcal{M}$, there exist two payments $t_i, t'_i \in \mathbb{R}$ such that $(A_i, t_i) R_i z_i$ and $z_i R_i (A_i, t'_i)$.

Continuity. For each $z_i \in \mathcal{M} \times \mathbb{R}$, the upper contour set at z_i , $\{z'_i \in \mathcal{M} \times \mathbb{R} : z'_i R_i z_i\}$, and the lower contour set at z_i , $\{z'_i \in \mathcal{M} \times \mathbb{R} : z_i R_i z'_i\}$, are both closed.

Our generic notation for a class of preferences satisfying the above four properties is \mathcal{R} , which we refer to as a **domain**.⁸ Let $\overline{\mathcal{R}}$ denote the class of all preferences satisfying the above four properties.

Given $R_i \in \mathcal{R}$, $A_i \in \mathcal{M}$, and $z_i \in \mathcal{M} \times \mathbb{R}$, possibility of compensation and continuity imply the existence of a payment $V(A_i, z_i; R_i) \in \mathbb{R}$ such that $(A_i, V(A_i, z_i; R_i)) I_i z_i$. By money monotonicity, such a payment $V(A_i, z_i; R_i)$ is unique. We call the payment $V(A_i, z_i; R_i)$ the **valuation for A_i at z_i under R_i** .

Given $R_i \in \mathcal{R}$, $A_i \in \mathcal{M}$, and $t_i \in \mathbb{R}$, let $w(A_i, t_i; R_i) \equiv V(A_i, (\emptyset, t_i); R_i) - t_i$. We call

⁷Given a set G , 2^G denotes the power set of G , i.e., $2^G \equiv \{G' : G' \subseteq G\}$.

⁸Note that, due to object monotonicity, any domain we consider in this paper does not include any unit-demand preference, where a preference R_i is said to exhibit *unit demand* if for each $A_i \in \mathcal{M} \setminus \{\emptyset\}$ and each $t_i \in \mathbb{R}$, there exists $a \in A_i$ such that $(\{a\}, t_i) R_i (A_i, t_i)$.

$w(A_i, t_i; R_i)$ the **willingness to pay for A_i at t_i under R_i** . It represents the maximal amount of money that an agent is willing to pay for the package A_i when he currently owns no object and has made a payment of t_i . By object monotonicity, for each $A_i, A'_i \in \mathcal{M}$ with $A'_i \subsetneq A_i$ and each $t_i \in \mathbb{R}$, it holds that $w(A_i, t_i; R_i) > w(A'_i, t_i; R_i)$.

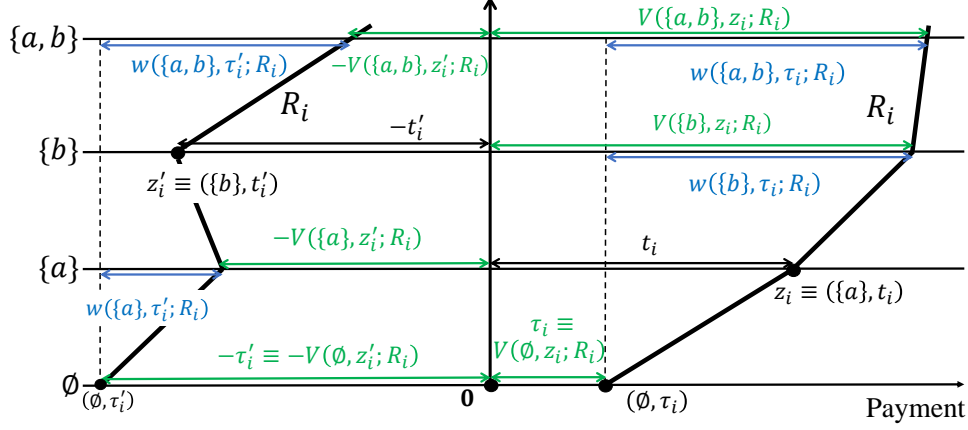


Figure 1: An illustration of a preference.

Figure 1 provides an illustration of a preference R_i . Each horizontal line represents a package, and each point on a line indicates a payment level. Thus, each point corresponds to a package–payment pair. The vertical line represents the set of pairs with zero payment. The solid lines represent the indifference curves associated with the preference R_i . The valuations and willingness to pay for R_i are also depicted in Figure 1.

We introduce two special classes of preferences that are of particular importance.

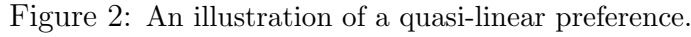
Definition 1. A preference $R_i \in \mathcal{R}$ is **quasi-linear** if for each $(A_i, t_i), (A'_i, t'_i) \in \mathcal{M} \times \mathbb{R}$ and each $\delta \in \mathbb{R}$, $(A_i, t_i) I_i (A'_i, t'_i)$ implies $(A_i, t_i + \delta) I_i (A'_i, t'_i + \delta)$.

Let \mathcal{R}^Q denote the class of all quasi-linear preferences.

Figure 2 illustrates a quasi-linear preference. As shown in the figure, for a quasi-linear preference, the willingness to pay for each package is independent of the payment. Thus, for each $A_i \in \mathcal{M}$ and each $t_i, t'_i \in \mathbb{R}$, $w(A_i, t_i; R_i) = w(A_i, t'_i; R_i) \equiv w(A_i; R_i)$. Moreover, if a preference R_i is quasi-linear, it can be represented by a utility function $u_i : \mathcal{M} \times \mathbb{R} \rightarrow \mathbb{R}$ such that for each $z_i \equiv (A_i, t_i) \in \mathcal{M} \times \mathbb{R}$, $u_i(z_i) = w(A_i; R_i) - t_i$. Thus, our concept of willingness to pay aligns with the quasi-linear valuation under quasi-linear preferences.

Definition 2. A preference R_i is **additive** if for each $A_i, A'_i \in \mathcal{M}$ with $A_i \cap A'_i = \emptyset$ and each $t_i \in \mathbb{R}$, we have

$$w(A_i \cup A'_i, t_i; R_i) = w(A_i, t_i; R_i) + w(A'_i, t_i; R_i).$$



The diagram illustrates the decomposition of a subgame perfect equilibrium (SPE) strategy into a best response and a strategy that is sequentially rational in the continuation game. It shows two horizontal timelines for players $\{a, b\}$ and $\{a\}$.

Left Timeline (Starting at (\emptyset, t'_i)):

- The strategy R_i is shown as a black line.
- The decomposition is shown with yellow arrows (best response) and purple arrows (sequentially rational strategy).
- Equations at the top:

$$w(\{a, b, t'_i; R_i\}) = w(\{a, t'_i; R_i\}) + w(\{b, t'_i; R_i\})$$

Right Timeline (Starting at (\emptyset, t_i)):

- The strategy R_i is shown as a black line.
- The decomposition is shown with red arrows (best response) and blue arrows (sequentially rational strategy).
- Equation at the top:

$$w(\{a, b, t_i; R_i\}) = w(\{a, t_i; R_i\}) + w(\{b, t_i; R_i\})$$

The x-axis is labeled "Payment" and the y-axis is labeled with the sets of players $\{a, b\}$, $\{b\}$, $\{a\}$, and \emptyset .

Figure 3 is an illustration of an additive preference R_i . As shown in the figure, the willingness to pay for a package at each payment is equivalent to the sum of the willingness to pay for the individual objects contained in the package at that payment. Note that when a preference is additive but not quasi-linear, as depicted in Figure 3, the shapes of the indifference curves can vary depending on the payment, but each indifference curve consistently reflects the additive willingness to pay.

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and Stacchetti, 1999; Nguyen and Vohra, 2020), and the *no complementarities domain* (Gul and Stacchetti, 1999), among others. The conditions defining these domains are based on the Hicksian demand, which represents the demand for a package along the locus of its valuation. The additivity of preferences ensures that this locus satisfies the conditions characterizing these domains.⁹

2.2 Allocations

An **object allocation** is an n -tuple $A \equiv (A_i)_{i \in N} \in \mathcal{M}^n$ such that for each distinct $i, j \in N$, $A_i \cap A_j = \emptyset$. Let \mathcal{A} denote the set of all object allocations. Given $A \in \mathcal{A}$ and $N' \subseteq N$, let $A_{-N'} \equiv (R_i)_{i \in N \setminus N'}$. In particular, for given $A \in \mathcal{A}$ and two distinct agents $i, j \in N$, let $A_{-i} \equiv (A_k)_{k \in N \setminus \{i\}}$ and $A_{-i,j} \equiv (A_k)_{k \in N \setminus \{i,j\}}$.

An **allocation** is an n -tuple $z \equiv (A_i, t_i)_{i \in N} \in (\mathcal{M} \times \mathbb{R})^n$ such that $(A_i)_{i \in N} \in \mathcal{A}$. Let Z denote the set of allocations. Given $z \equiv (A_i, t_i)_{i \in N} \in Z$, its associated object allocation and payment profile are denoted by $A \equiv (A_i)_{i \in N}$ and $t \equiv (t_i)_{i \in N}$ respectively. When convenient, we write $z \equiv (A, t) \in Z$.

2.3 Rules

A **preference profile** is an n -tuple $R \equiv (R_i)_{i \in N} \in \mathcal{R}^n$. Given $R \in \mathcal{R}^n$ and $N' \subseteq N$, let $R_{N'} \equiv (R_i)_{i \in N'}$ and $R_{-N'} \equiv (R_i)_{i \in N \setminus N'}$. In particular, for given $R \in \mathcal{R}^n$ and two distinct agents $i, j \in N$, let $R_{i,j} \equiv R_{\{i,j\}}$, $R_{-i} \equiv R_{-\{i\}}$, and $R_{-i,j} \equiv R_{-\{i,j\}}$.

An **(allocation) rule on \mathcal{R}^n** is a mapping $f : \mathcal{R}^n \rightarrow Z$. With a slight abuse of notation, we may write $f \equiv (A, t)$, where $A : \mathcal{R}^n \rightarrow \mathcal{A}$ and $t : \mathcal{R}^n \rightarrow \mathbb{R}^n$ are the object allocation and the payment rules associated with f , respectively. The package that agent i receives and his payment under a rule f at a preference profile R are denoted by $A_i(R)$ and $t_i(R)$, respectively, so that $f_i(R) = (A_i(R), t_i(R))$.

2.4 Admissible object allocations and constraints

We refer to a subset of \mathcal{A} as a **constraint**. Our generic notation for a constraint is $\mathcal{C} \subseteq \mathcal{A}$.

Given a rule f on \mathcal{R}^n , let $\mathcal{A}^f \equiv \{A \in \mathcal{A} : \exists R \in \mathcal{R}^n \text{ such that } A(R) = A\}$ denote the range of object allocations under a rule $f \equiv (A, t)$. Note that $\mathcal{A}^f \subseteq \mathcal{A}$ itself is a constraint.

⁹For the formal definitions of the domains listed above, see the supplementary material.

We distinguish between *feasibility* and *admissibility* of object allocations. The *feasible set* is determined by technology, which is beyond the control of the (social) planner. We assume that all object allocations in \mathcal{A} are feasible.¹⁰ Thus, \mathcal{A} represents the *set of feasible object allocations*.

In contrast, an *admissible set* is a subset $\mathcal{C} \subseteq \mathcal{A}$ of the feasible set (i.e., a constraint), selected by the planner for policy purposes, together with a rule f —as illustrated in [Example 1](#) below. Unlike the feasible set, an admissible set is part of the planner’s policy choice.

We emphasize that the planner selects an admissible set \mathcal{C} simultaneously with a rule f ; that is, \mathcal{C} is not exogenously fixed but is jointly determined with the rule. Therefore, the planner must choose a rule f such that every outcome object allocation $A \in \mathcal{A}^f$ is admissible under the chosen constraint (i.e., $\mathcal{A}^f \subseteq \mathcal{C}$). Conversely, the admissible set \mathcal{C} must also be consistent with the rule f (i.e., $\mathcal{C} \subseteq \mathcal{A}^f$). Thus, given a rule f , we identify \mathcal{A}^f with the admissible set \mathcal{C} (i.e., $\mathcal{A}^f = \mathcal{C}$), and refer to it as the set of *admissible object allocations (under f)*, or simply the *admissible set (under f)*.

The following example illustrates the above point: an admissible set is chosen by the planner simultaneously with a rule.

Example 1 (Admissible object allocations). (i) Suppose that, in order to control the market power of agents after the allocation of objects, the planner restricts each agent from receiving more than three objects. Then, the planner selects a rule f such that $\mathcal{A}^f = \{A \in \mathcal{A} : \forall i \in N, |A_i| \leq 3\}$.

(ii) Suppose that agents 1 and 2 are newcomers, and to ensure their continued participation in the market, the planner sets aside some objects—say, a and b —specifically for them. Then, the planner selects a rule f such that $\mathcal{A}^f = \{A \in \mathcal{A} : \{a, b\} \subseteq A_1 \cup A_2\}$.

The planner aims to design rules that satisfy certain desirable properties. However, such rules may fail to exist under some \mathcal{A}^f . Therefore, the choice of \mathcal{A}^f must ensure compatibility with these properties. In [Section 3](#), we examine the compatibility between \mathcal{A}^f and the desirable properties. In the next subsection, we introduce these desirable properties.

¹⁰All our results remain valid even if the feasible set is an arbitrary non-empty subset of \mathcal{A} .

2.5 Properties of rules

2.5.1 Efficiency properties

Given $R \in \mathcal{R}^n$, an allocation $z \equiv (A, t) \in Z$ is said to **(Pareto) dominate** another allocation $z' \equiv (A', t') \in Z$ **for** R if the following conditions hold: (i) for each $i \in N$, $z_i R_i z'_i$; (ii) $\sum_{i \in N} t_i \geq \sum_{i \in N} t'_i$; and (iii) for some $j \in N$, $z_j P_j z'_j$, or $\sum_{i \in N} t_i > \sum_{i \in N} t'_i$. This notion of domination takes into account not only the preferences of the agents but also the preference of the planner, who is assumed to be concerned only with her total revenue.¹¹

Pareto efficiency. For each $R \in \mathcal{R}^n$, there exists no $z \equiv (A, t) \in Z$ that dominates $f(R)$ for R .

The next property requires that a rule select an allocation that is efficient over the set of admissible object allocations \mathcal{A}^f . Note that we impose constraints only on object allocations, with no restrictions on payments.

Constrained efficiency. For each $R \in \mathcal{R}^n$, there exists no $z \equiv (A, t) \in Z$ with $A \in \mathcal{A}^f$ that dominates $f(R)$ for R .

If $\mathcal{A}^f = \mathcal{A}$, then *constrained efficiency* coincides with standard *Pareto efficiency*. If $\mathcal{A}^f \subsetneq \mathcal{A}$, then *constrained efficiency* is strictly weaker than *Pareto efficiency*, and the smaller \mathcal{A}^f is, the weaker the condition becomes. Thus, if \mathcal{A}^f includes a sufficiently rich variety of admissible object allocations, the planner can implement a wider range of outcomes, although it becomes more difficult to ensure *constrained efficiency*. Conversely, if \mathcal{A}^f includes only a narrow set of admissible object allocations, *constrained efficiency* becomes easier to satisfy, but the planner can implement only a limited range of outcomes. This illustrates a fundamental trade-off between the ease of achieving *constrained efficiency* and the variety of admissible object allocations.

The next property requires that all objects be allocated to agents.

No wastage. For each $R \in \mathcal{R}^n$, $\bigcup_{i \in N} A_i(R) = M$.

¹¹Without incorporating the planner's preference, any allocation $z \equiv (A, t) \in Z$ would be dominated by another allocation $z' \equiv (A', t') \in Z$ such that $A' = A$ and $t'_i < t_i$ for each $i \in N$.

Note that *Pareto efficiency* implies *no wastage*. Thus, one justification for *no wastage* is that it represents a mild form of efficiency. Another justification is based on practical observations: in real-life auctions, even if some objects are not sold in a one-shot auction, they are typically sold in subsequent auctions. As a result, all objects are eventually sold, and *no wastage* is effectively satisfied in the long run (Kazumura et al., 2020b).

2.5.2 Incentive properties

The following property is a dominant strategy incentive compatibility, which requires that no agent can ever benefit from misrepresenting his preferences.

Strategy-proofness. For each $R \in \mathcal{R}^n$, each $i \in N$, and each $R'_i \in \mathcal{R}$, $f_i(R) \succeq_i f_i(R'_i, R_{-i})$.

The next property requires that each agent finds his outcome package–payment pair under the rule at least as desirable as receiving no object and paying nothing.

Individual rationality. For each $R \in \mathcal{R}^n$ and each $i \in N$, $f_i(R) \succeq_i \mathbf{0}$.

The next property requires that each agent’s payment always be non-negative.

No subsidy. For each $R \in \mathcal{R}^n$ and each $i \in N$, $t_i(R) \geq 0$.

If agents receive subsidies, those with no interest in the objects may participate in the rule solely to obtain them. *No subsidy* eliminates this incentive for disinterested agents. Moreover, when the objects are initially public assets, providing subsidies alongside the allocation may invite public criticism. *No subsidy* helps to avoid such criticism.

2.5.3 Fairness properties

Next, we introduce three fairness properties. The first requires that any two agents with identical preferences receive the same welfare level under the rule.

Equal treatment of equals. For each $R \in \mathcal{R}^n$ and each $i, j \in N$, if $R_i = R_j$, then $f_i(R) \succeq_i f_j(R)$.

Given a preference profile $R \in \mathcal{R}^n$ and a permutation $\pi : N \rightarrow N$ on N ,¹² let $R^\pi \in \mathcal{R}^n$ denote the permuted preference profile according to π , such that for each $i \in N$, $R_i^\pi = R_{\pi(i)}$. The second fairness property requires that if agents' preferences are permuted, then their welfare levels be permuted accordingly.

Anonymity. For each $R \in \mathcal{R}^n$, each permutation π on N , and each $i \in N$, we have $f_i(R) \succeq f_{\pi(i)}(R^\pi)$.¹³

The third fairness property requires that no agent prefer any other agent's outcome package-payment pair to his own under the rule.

No envy. For each $R \in \mathcal{R}^n$ and each $i, j \in N$, $f_i(R) \succeq f_j(R)$.

Note that (i) *anonymity* implies *equal treatment of equals*, (ii) *no envy* implies *equal treatment of equals*, and (iii) in general, *anonymity* and *no envy* are independent—that is, neither property implies the other. Thus, among these properties, *equal treatment of equals* is the weakest.

3 Main results

In this section, we study rules satisfying the desirable properties—namely, *constrained efficiency*, *no wastage*, *equal treatment of equals*, *strategy-proofness*, *individual rationality*, and *no subsidy*.

3.1 Bundling unit-demand constraints

First, we examine the conditions that the desirable properties impose on the set of admissible object allocations \mathcal{A}^f .

A constraint $\mathcal{C} \subseteq \mathcal{A}$ satisfies **no wastage** if all objects are allocated to agents—that is, if $\bigcup_{i \in N} A_i = M$. A constraint \mathcal{C} satisfies **anonymity** if it is a symmetric set—that is, for each $A \in \mathcal{C}$ and each permutation π on N , we have $A^\pi \in \mathcal{C}$.

¹²A *permutation* on a set G is a bijection from G to itself.

¹³This definition is equivalent to the following condition: for each $R \in \mathcal{R}^n$, each $i, j \in N$, and each $R'_i, R'_j \in \mathcal{R}$ with $R'_i = R_j$ and $R'_j = R_i$, we have $f_i(R) \succeq f_j(R'_i, R_{-i,j})$ and $f_j(R) \succeq f_i(R'_j, R_{-j,i})$. Note that *anonymity* is often referred to as *anonymity in welfare* in the literature.

We introduce bundling unit-demand constraints, under which objects are bundled into several packages, and each agent receives at most one package instead of individual objects. Given a partition \mathcal{B} of M , a constraint \mathcal{C} is said to be **\mathcal{B} -bundling unit-demand** if each agent receives at most one package in \mathcal{B} —that is, for each $A \in \mathcal{C}$ and each $i \in N$, $A_i \in \mathcal{B} \cup \{\emptyset\}$. A constraint \mathcal{C} is referred to as **bundling unit-demand** if it is a \mathcal{B} -bundling unit-demand constraint for some partition \mathcal{B} . A \mathcal{B} -bundling unit-demand constraint can satisfy no wastage only if $|\mathcal{B}| \leq n$, as each agent can receive at most one element of \mathcal{B} .

Example 2 (Bundling unit-demand constraints). Let $n = 3$ and $m = 5$. Let $M = \{a, b, c, d, e\}$. Let \mathcal{B} be a partition of M such that $\mathcal{B} \equiv \{B_1, B_2\}$, where $B_1 \equiv \{a, b, c\}$ and $B_2 \equiv \{d, e\}$. Let

$$\begin{aligned}\mathcal{C}^1 &\equiv \{(\emptyset, \emptyset, B_1), (B_1, \emptyset, B_2)\}, & \mathcal{C}^2 &\equiv \{(\emptyset, B_1, B_2), (B_1, B_2, \emptyset), (B_2, \emptyset, B_1)\}, \\ \mathcal{C}^3 &\equiv \{(\emptyset, \emptyset, \emptyset), (\emptyset, \emptyset, B_1), (\emptyset, B_1, \emptyset), (B_1, \emptyset, \emptyset), (\emptyset, \emptyset, B_2), (\emptyset, B_2, \emptyset), (B_2, \emptyset, \emptyset)\}, \\ \mathcal{C}^4 &\equiv \{(\emptyset, B_1, B_2), (\emptyset, B_2, B_1), (B_1, \emptyset, B_2), (B_1, B_2, \emptyset), (B_2, \emptyset, B_1), (B_2, B_1, \emptyset)\}.\end{aligned}$$

Note that $\mathcal{C}^1, \mathcal{C}^2, \mathcal{C}^3$, and \mathcal{C}^4 are all \mathcal{B} -bundling unit-demand. \mathcal{C}^1 satisfies neither no wastage nor anonymity. \mathcal{C}^2 satisfies no wastage but not anonymity. \mathcal{C}^3 satisfies anonymity but not no wastage. \mathcal{C}^4 satisfies both no wastage and anonymity.

Given a partition \mathcal{B} of M with $|\mathcal{B}| \leq n$, the \mathcal{B} -bundling unit-demand constraint \mathcal{C} that satisfies no wastage and anonymity is unique and can be identified with \mathcal{B} . Let $\mathcal{C}^*(\mathcal{B})$ denote the **\mathcal{B} -bundling unit-demand constraint satisfying no wastage and anonymity**:

$$\mathcal{C}^*(\mathcal{B}) \equiv \left\{ A \in \mathcal{A} : \forall i \in N, A_i \in \mathcal{B} \cup \{\emptyset\} \text{ and } \bigcup_{i \in N} A_i = M \right\}.$$

No wastage of \mathcal{A}^f is essential for the associated rule f to satisfy *no wastage*, while anonymity of \mathcal{A}^f is essential for f to satisfy fairness properties such as *equal treatment of equals*. In addition, the properties of *constrained efficiency*, *strategy-proofness*, *individual rationality*, and *no subsidy* impose further restrictions on \mathcal{A}^f . The following proposition shows that, in order for a rule f to satisfy all these properties, \mathcal{A}^f must also be bundling unit-demand.

Proposition. *Let \mathcal{R} be a rich domain. Let f be a rule on \mathcal{R}^n satisfying constrained efficiency, no wastage, equal treatment of equals, strategy-proofness, individual rationality, and no*

subsidy. Then, \mathcal{A}^f is \mathcal{B} -bundling unit-demand for some partition \mathcal{B} of M with $|\mathcal{B}| \leq n$, and satisfies no wastage and anonymity—that is, $\mathcal{A}^f = \mathcal{C}^*(\mathcal{B})$.

Although \mathcal{A}^f is selected by the planner, it cannot be chosen arbitrarily. The planner must ensure that \mathcal{A}^f is compatible with the desirable properties of rules. If a rule fails to satisfy some of the desirable properties under \mathcal{A}^f , then the planner must forgo either \mathcal{A}^f or some of the desirable properties. Proposition shows that if the planner aims to design a rule f satisfying the desirable properties, then she must choose $\mathcal{A}^f = \mathcal{C}^*(\mathcal{B})$ for some partition \mathcal{B} of M with $|\mathcal{B}| \leq n$.

Recall that the strength of *constrained efficiency* depends on \mathcal{A}^f : the larger \mathcal{A}^f is, the more demanding the requirement becomes. Therefore, when designing a rule that satisfies the above properties—including *constrained efficiency*—the planner may need to ensure that \mathcal{A}^f is sufficiently small. For example, in Example 2, $\mathcal{C}^*(\mathcal{B}) = \mathcal{C}^4$ contains only 6 object allocations. In general, the maximum number of object allocations that $\mathcal{C}^*(\mathcal{B})$ can contain is $n!$,¹⁴ which is much smaller than the number of feasible object allocations. For instance, when $n = 3$ and $m = 5$, as in Example 2, the total number of feasible object allocations is: $1 + 15 + 90 + 270 + 405 + 243 = 1024$.¹⁵ Thus, in Proposition, the set of admissible object allocations \mathcal{A}^f under a rule f satisfying the desirable properties is significantly smaller than the set of feasible ones \mathcal{A} . This reduction represents the cost of satisfying those properties.

3.2 Bundling unit-demand MPW rules

For a given partition \mathcal{B} of M , the mathematical structure of $\mathcal{C}^*(\mathcal{B})$ is identical to that of the *unit-demand model*—a setting with heterogeneous objects in which each agent can receive at most one object. Accordingly, the results and definitions developed for the unit-demand model can be extended to the constraint $\mathcal{C}^*(\mathcal{B})$. This subsection formalizes this observation.

Given a partition \mathcal{B} of M , let $\mathcal{B}_0 \equiv \mathcal{B} \cup \{\emptyset\} \subseteq \mathcal{M}$. Given a preference $R_i \in \mathcal{R}$, let $R_i|_{\mathcal{B}_0}$ denote the restriction of R_i to $\mathcal{B}_0 \times \mathbb{R}$ —that is, for each $(B_i, t_i), (B'_i, t'_i) \in \mathcal{B}_0 \times \mathbb{R}$, $(B_i, t_i) R_i|_{\mathcal{B}_0} (B'_i, t'_i)$ if and only if $(B_i, t_i) R_i (B'_i, t'_i)$. Given a domain \mathcal{R} , let $\mathcal{R}|_{\mathcal{B}_0} \equiv \{R_i|_{\mathcal{B}_0} : R_i \in \mathcal{R}\}$. For a given preference profile $R \in \mathcal{R}^n$, let $R|_{\mathcal{B}_0} \equiv (R_i|_{\mathcal{B}_0})_{i \in N}$.

Given a partition \mathcal{B} of M , a **\mathcal{B} -bundling price vector** is a vector $p \equiv (p_B)_{B \in \mathcal{B}_0} \in \mathbb{R}_+^{|\mathcal{B}_0|}$ such that $p_\emptyset = 0$. Note that a \mathcal{B} -bundling price vector assigns a price to each package

¹⁴This maximum is attained when $|\mathcal{B}| = n - 1$ or $|\mathcal{B}| = n$. Note that in Example 2, $|\mathcal{B}| = 2 = n - 1$.

¹⁵To see this, note that the number of feasible object allocations in which $k = 0, 1, 2, 3, 4, 5$ objects are allocated to three agents is given by $3^k \times {}_5C_k$. The total number is obtained by summing these values over $k = 0$ to 5.

$B_i \in \mathcal{B}$, not to each individual object. Given a preference $R_i \in \mathcal{R}$ and a \mathcal{B} -bundling price vector $p \in \mathbb{R}_+^{|\mathcal{B}_0|}$, the **\mathcal{B} -bundling unit-demand set for R_i at p** is defined as

$$D(R_i, p, \mathcal{B}) \equiv \{B_i \in \mathcal{B}_0 : \forall B'_i \in \mathcal{B}_0, (B_i, p_{B_i}) R_i|_{\mathcal{B}_0} (B'_i, p_{B'_i})\}.$$

We introduce a bundling unit-demand Walrasian equilibrium, which serves as the counterpart to a Walrasian equilibrium in the unit-demand model, adapted to our setting with a bundling unit-demand constraint.

Definition 3. Given a partition \mathcal{B} of M and $R \in \mathcal{R}^n$, a pair $(z, p) \equiv ((A, t), p) \in Z \times \mathbb{R}_+^{|\mathcal{B}_0|}$ of an allocation $z \equiv (A, t)$ with $A \in \mathcal{C}^*(\mathcal{B})$ and a \mathcal{B} -bundling price vector p , is a **\mathcal{B} -bundling unit-demand Walrasian equilibrium for R** if the following two conditions hold:

- (i) For each $i \in N$, $A_i \in D(R_i, p, \mathcal{B})$ and $t_i = p_{B_i}$.
- (ii) For each $B \in \mathcal{B}$, if there exists no $i \in N$ such that $A_i = B$, then $p_B = 0$.

Given a partition \mathcal{B} of M and a preference profile $R \in \mathcal{R}^n$, if (z, p) is a \mathcal{B} -bundling unit-demand Walrasian equilibrium for R , then z is called a **\mathcal{B} -bundling unit-demand Walrasian equilibrium allocation for R** , and p is called a **\mathcal{B} -bundling unit-demand Walrasian equilibrium price vector for R** . Let $P(R, \mathcal{B})$ denote the set of such price vectors.

In the unit-demand model, the set of Walrasian equilibrium price vectors forms a non-empty complete lattice; hence there exists a unique minimum Walrasian equilibrium price vector with respect to the vector inequality (Demange and Gale, 1985; Alkan and Gale, 1990). An analogous result holds in our setting under the bundling unit-demand constraint $\mathcal{C}^*(\mathcal{B})$. Specifically, given a partition \mathcal{B} of M and a preference profile $R \in \mathcal{R}^n$, there exists a unique minimum element of $P(R, \mathcal{B})$ with respect to the vector inequality on \mathcal{B}_0 , denoted by $p^{\min}(R, \mathcal{B})$.

A bundling unit-demand minimum price Walrasian (MPW) rule is the natural analogue of the MPW rule in the unit-demand model. It selects a \mathcal{B} -bundling unit-demand Walrasian equilibrium allocation supported by the minimum \mathcal{B} -bundling unit-demand Walrasian equilibrium price vector.

Definition 4. Given a partition \mathcal{B} of M , a rule f on \mathcal{R}^n with $\mathcal{A}^f = \mathcal{C}^*(\mathcal{B})$ is a **\mathcal{B} -bundling unit-demand minimum price Walrasian (MPW) rule** if for each $R \in \mathcal{R}^n$, $(f(R), p^{\min}(R, \mathcal{B}))$ is a \mathcal{B} -bundling unit-demand Walrasian equilibrium for R . A rule f on \mathcal{R}^n is a **bundling**

unit-demand MPW rule if it is a \mathcal{B} -bundling unit-demand MPW rule for some partition \mathcal{B} of M .

For a given partition \mathcal{B} of M , the \mathcal{B} -bundling unit-demand MPW rules are essentially unique.¹⁶ However, since there are many possible partitions of M , each partition gives rise to a distinct bundling unit-demand MPW rule. Therefore, there exists a large class of such rules, each corresponding to a different partition of M .

In the unit-demand model, the MPW rules not only satisfy *Pareto efficiency*, *strategy-proofness*, *individual rationality*, *no subsidy*, and certain fairness properties, but are also the only rules on a sufficiently rich domain—known as the *classical domain*—that satisfy these properties (Demange and Gale, 1985; Morimoto and Serizawa, 2015; Wakabayashi et al., 2025). The \mathcal{B} -bundling unit-demand MPW rules inherit these desirable properties, where *Pareto efficiency* corresponds to *constrained efficiency* under $\mathcal{A}^f = \mathcal{C}^*(\mathcal{B})$. Moreover, since the classical domain corresponds to $\overline{\mathcal{R}}|_{\mathcal{B}_0}$ in our setting, the characterization of MPW rules in the unit-demand model extends to the \mathcal{B} -bundling unit-demand constraint on any domain \mathcal{R} satisfying $\mathcal{R}|_{\mathcal{B}_0} = \overline{\mathcal{R}}|_{\mathcal{B}_0}$.

Fact 1 (Demange and Gale, 1985; Morimoto and Serizawa, 2015; Wakabayashi et al., 2025). *Let \mathcal{B} be a partition of M such that $|\mathcal{B}| \leq n$. Let \mathcal{R} satisfy $\mathcal{R}|_{\mathcal{B}_0} = \overline{\mathcal{R}}|_{\mathcal{B}_0}$.*

- (i) A \mathcal{B} -bundling unit-demand MPW rule satisfies $\mathcal{A}^f = \mathcal{C}^*(\mathcal{B})$, and satisfies the following properties: constrained efficiency, no wastage, equal treatment of equals, anonymity, no envy, strategy-proofness, individual rationality, and no subsidy.*
- (ii) A rule on \mathcal{R}^n with $\mathcal{A}^f = \mathcal{C}^*(\mathcal{B})$ satisfies constrained efficiency, strategy-proofness, individual rationality, and no subsidy if and only if it is a \mathcal{B} -bundling unit-demand MPW rule.*

Note that Fact 1 focuses on rules f for which $\mathcal{A}^f = \mathcal{C}^*(\mathcal{B})$ for some partition \mathcal{B} of M . In the next subsection, we study rules without imposing such a restriction on \mathcal{A}^f a priori.

3.3 Main theorem

The following is the main result, which establishes that, on any rich domain, the bundling unit-demand MPW rules are the only rules that satisfy *constrained efficiency*, *no wastage*, *equal treatment of equals*, *strategy-proofness*, *individual rationality*, and *no subsidy*.

¹⁶To be precise, for each $R \in \mathcal{R}^n$, if two allocations $z, z' \in Z$ are outcomes of (possibly different) \mathcal{B} -bundling unit-demand MPW rules for R , then for each $i \in N$, we have $z_i \succeq_i z'_i$.

Theorem. *Let \mathcal{R} be a rich domain. A rule f on \mathcal{R}^n satisfies constrained efficiency, no wastage, equal treatment of equals, strategy-proofness, individual rationality, and no subsidy if and only if there exists a partition \mathcal{B} of M such that: (i) $|\mathcal{B}| \leq n$, (ii) $\mathcal{A}^f = \mathcal{C}^*(\mathcal{B})$, and (iii) f is a \mathcal{B} -bundling unit-demand MPW rule.*

Recall that \mathcal{A}^f is not a fixed set but a variable chosen jointly with a rule f . Thus, the strength of the requirement for *constrained efficiency* depends on the choice of \mathcal{A}^f . As shown in [Proposition](#), in order to satisfy the desirable properties, \mathcal{A}^f must be selected from among the bundling unit-demand constraints. Note that [Proposition](#) does not specify how the rule should select an outcome allocation from a given bundling unit-demand constraint for each preference profile. [Theorem](#) addresses this point: it states that, to satisfy the above properties, the rule must select an allocation according to a bundling unit-demand MPW rule.

We emphasize that [Theorem](#) holds for any rich domain. In particular, it applies to cases where the objects are substitutes, complements, or both—namely, the net substitutes domain, the net complements domain, and the net substitutes and complements domain.

We have employed *equal treatment of equals* as a fairness property. Although it is one of the central fairness concepts in the literature, other important notions include *anonymity* and *no envy*. We discuss how our results ([Proposition](#) and [Theorem](#)) would change if we replace *equal treatment of equals* with *anonymity* or *no envy*. First, recall that any bundling unit-demand MPW rule satisfies both *anonymity* and *no envy* ([Fact 1](#) (i)). Thus, the “if” part of [Theorem](#) still holds even when *equal treatment of equals* is replaced with either *anonymity* or *no envy*. Second, recall that both *anonymity* and *no envy* are stronger than *equal treatment of equals*. Thus, the “only if” part of [Theorem](#) as well as [Proposition](#) remains valid. Therefore, the conclusions of [Proposition](#) and [Theorem](#) are unaffected even if *equal treatment of equals* is replaced with either *anonymity* or *no envy*.

3.4 Outline of the proof

Given [Proposition](#) and [Fact 1](#), the remaining step in proving [Theorem](#) is to verify that any rich domain \mathcal{R} satisfies the domain condition stated in [Fact 1](#)—that is, $\mathcal{R}|_{\mathcal{B}_0} = \overline{\mathcal{R}}|_{\mathcal{B}_0}$ for a given partition \mathcal{B} of M . This step is straightforward.¹⁷ Hence, to prove [Theorem](#), it suffices

¹⁷The proof is as follows. Let \mathcal{R} be a rich domain, and let \mathcal{B} be a partition of M . Since $\mathcal{R} \subseteq \overline{\mathcal{R}}$, $\mathcal{R}|_{\mathcal{B}_0} \subseteq \overline{\mathcal{R}}|_{\mathcal{B}_0}$. We now show the reverse inclusion, i.e., $\overline{\mathcal{R}}|_{\mathcal{B}_0} \subseteq \mathcal{R}|_{\mathcal{B}_0}$. Let $R_i|_{\mathcal{B}_0} \in \overline{\mathcal{R}}|_{\mathcal{B}_0}$, where $R_i \in \overline{\mathcal{R}}$. Let $R'_i \in \mathcal{R}^{Add}$ be such that for each $B_i \in \mathcal{B}$ and each $t_i \in \mathbb{R}$, $w(B_i, t_i; R'_i) = w(B_i, t_i; R_i)$. Such $R'_i \in \mathcal{R}^{Add}$ can be defined because \mathcal{B} is a partition of M . By richness of \mathcal{R} , it follows that $R'_i \in \mathcal{R}$. Hence, $R'_i|_{\mathcal{B}_0} \in \mathcal{R}|_{\mathcal{B}_0}$. By the definition

to show [Proposition](#).

We further observe: (i) no wastage of \mathcal{A}^f follows directly from *no wastage* of a rule f , and (ii) once we show that \mathcal{A}^f is a \mathcal{B} -bundling unit-demand for some partition \mathcal{B} of M , no wastage of \mathcal{A}^f implies $|\mathcal{B}| \leq n$. Therefore, the main challenge in proving [Proposition](#) is to establish that \mathcal{A}^f is \mathcal{B} -bundling unit-demand for some partition \mathcal{B} of M , and that \mathcal{A}^f satisfies anonymity. In this subsection, we outline the proofs of these two key properties.

3.4.1 Strategy-proofness

In the proof of [Proposition](#), the properties of *strategy-proof* rules play a crucial role. We therefore begin by reviewing these properties.

We introduce some notations. Given a rule $f \equiv (A, t)$ on \mathcal{R}^n and an agent $i \in N$, let \mathcal{M}_i denote the set of packages that may be assigned to agent i under f :

$$\mathcal{M}_i \equiv \{A_i \in \mathcal{M} : \exists R \in \mathcal{R}^n \text{ such that } A_i(R) = A_i\}.$$

Furthermore, given $R_{-i} \in \mathcal{R}^{n-1}$, let $\mathcal{M}_i(R_{-i})$ denote the set of packages that agent i can possibly receive given R_{-i} under f :

$$\mathcal{M}_i(R_{-i}) \equiv \{A_i \in \mathcal{M} : \exists R_i \in \mathcal{R} \text{ such that } A_i(R_i, R_{-i}) = A_i\}.$$

Note that $\mathcal{M}_i(R_{-i}) \subseteq \mathcal{M}_i \subseteq \mathcal{M}$.

It is well known that under a *strategy-proof* rule, each agent's payment depends only on the package he receives and the preferences of the other agents; therefore, once an agent's package is fixed, his own preference does not affect his payment. Formally, if a rule f on \mathcal{R}^n satisfies *strategy-proofness*, then for each $i \in N$, each $R_{-i} \in \mathcal{R}^{n-1}$, and each $A_i \in \mathcal{M}_i(R_{-i})$, there exists a unique payment $t_i(R_{-i}; A_i) \in \mathbb{R}$ such that for each $R_i \in \mathcal{R}$, whenever $A_i(R_i, R_{-i}) = A_i$, $t_i(R_i, R_{-i}) = t_i(R_{-i}; A_i)$ —that is, $f_i(R_i, R_{-i}) = (A_i, t_i(R_{-i}; A_i))$.¹⁸ Given $A_i \in \mathcal{M}_i(R_{-i})$, let $z_i(R_{-i}; A_i) \equiv (A_i, t_i(R_{-i}; A_i))$.

Another well-known property of *strategy-proof* rules is that, for each $R \in \mathcal{R}^n$ and each $i \in N$, agent i receives the most preferred outcome package–payment pair from the set

of R'_i , for each $B_i, B'_i \in \mathcal{B}_0$ and each $t_i, t'_i \in \mathbb{R}$, we have $(B_i, t_i) R'_i (B'_i, t'_i)$ if and only if $(B_i, t_i) R_i (B'_i, t'_i)$. This implies that $R'_i|_{\mathcal{B}_0} = R_i|_{\mathcal{B}_0}$. Thus, since $R'_i|_{\mathcal{B}_0} \in \mathcal{R}|_{\mathcal{B}_0}$, we conclude that $R_i|_{\mathcal{B}_0} \in \mathcal{R}|_{\mathcal{B}_0}$.

¹⁸To see this, suppose for contradiction that there exist distinct $t_i, t'_i \in \mathbb{R}$ and $R_i, R'_i \in \mathcal{R}$ such that $f_i(R_i, R_{-i}) = (A_i, t_i)$ and $f_i(R'_i, R_{-i}) = (A_i, t'_i)$. Without loss of generality, suppose $t'_i < t_i$. Then, $f_i(R'_i, R_{-i}) = (A_i, t'_i) P_i (A_i, t_i) = f_i(R_i, R_{-i})$, which contradicts *strategy-proofness*.

$\{z_i(R_{-i}; A_i) : A_i \in \mathcal{M}_i(R_{-i})\}$. The following remark formalizes this observation.

Remark 1 (Strategy-proofness). Let \mathcal{R} be a domain. Let f be a rule on \mathcal{R}^n satisfying *strategy-proofness*. Let $R \in \mathcal{R}^n$ and $i \in N$. For each $A_i \in \mathcal{M}_i(R_{-i})$, $f_i(R) \succeq_i z_i(R_{-i}; A_i)$.

Given a non-empty set $\mathcal{M}' \subseteq \mathcal{M}$ of packages, a payment vector $\tau \in \mathbb{R}^{|\mathcal{M}'|}$ on \mathcal{M}' , and a package $A_i \in \mathcal{M}'$, we say that a preference $R_i \in \mathcal{R}$ **demands (only) A_i at τ (on \mathcal{M}')** if for each $A'_i \in \mathcal{M}' \setminus \{A_i\}$, $(A_i, \tau_{A_i}) \succeq_i (A'_i, \tau_{A'_i})$. Under a *strategy-proof* rule f on \mathcal{R}^n , given $R \in \mathcal{R}^n$ and $i \in N$, if R_i demands $A_i \in \mathcal{M}_i(R_{-i})$ at $\tau \equiv (t_i(R_{-i}; A'_i))_{A'_i \in \mathcal{M}_i(R_{-i})}$ on $\mathcal{M}_i(R_{-i})$, then *strategy-proofness* implies $A_i(R) = A_i$ (see Remark 1).

Finally, a rule $f \equiv (A, t)$ on \mathcal{R}^n satisfies **monotonicity** if for each $i \in N$, each $R_i, R'_i \in \mathcal{R}$, and each $R_{-i} \in \mathcal{R}^{n-1}$, the following inequality holds:

$$\begin{aligned} & V(A_i(R), f_i(R); R_i) - V(A_i(R'_i, R_{-i}), f_i(R); R_i) \\ & \geq V(A_i(R), f_i(R); R'_i) - V(A_i(R'_i, R_{-i}), f_i(R); R'_i). \end{aligned}$$

If $R_i, R'_i \in \mathcal{R}^Q$, then this condition is equivalent to:

$$w(A_i(R); R_i) - w(A_i(R'_i, R_{-i}); R_i) \geq w(A_i(R); R'_i) - w(A_i(R'_i, R_{-i}); R'_i).$$

It is well established that monotonicity is a necessary condition for *strategy-proofness* (see, e.g., Bikhchandani et al., 2006; Kazumura et al., 2020a).

Fact 2 (Monotonicity). Let \mathcal{R} be a domain. Let f be a rule on \mathcal{R}^n satisfying *strategy-proofness*. Then, f satisfies *monotonicity*.

3.4.2 Characterization of the constrained Vickrey rules

The characterization of the (constrained) Vickrey rules (Vickrey, 1961) by Holmström (1979) also plays an important role in the proof.

Definition 5 (Vickrey, 1961). Given $\mathcal{R} \subseteq \mathcal{R}^Q$, a rule $f \equiv (A, t)$ on \mathcal{R}^n is a **constrained Vickrey rule** if for each $R \in \mathcal{R}^n$, the following two conditions hold:

- (i) We have $A(R) \in \arg \max_{A \in \mathcal{A}^f} \sum_{i \in N} w(A_i; R_i)$.
- (ii) For each $i \in N$, $t_i(R) = \max_{A \in \mathcal{A}^f} \sum_{j \in N \setminus \{i\}} w(A_j; R_j) - \sum_{j \in N \setminus \{i\}} w(A_j(R); R_j)$.

Under a constrained Vickrey rule, each agent pays the impact on the other agents.

Holmström (1979)' result can be applied to a general model that includes the package assignment problems with money, and characterizes the class of rules satisfying both (*constrained*) *efficiency* and *strategy-proofness* on sufficiently rich quasi-linear domains. His characterization result implies that the constrained Vickrey rules are the only rules satisfying *constrained efficiency*, *strategy-proofness*, *individual rationality*, and *no subsidy* on $(\mathcal{R}^{Add} \cap \mathcal{R}^Q)^n$.

Fact 3 (Holmström, 1979). *A rule f on $(\mathcal{R}^{Add} \cap \mathcal{R}^Q)^n$ satisfies constrained efficiency, strategy-proofness, individual rationality, and no subsidy if and only if it is a constrained Vickrey rule.*

3.4.3 Proof of bundling unit-demand constraint: An outline

We now outline the proof that if a rule f on a rich domain \mathcal{R}^n satisfies *constrained efficiency*, *no wastage*, *equal treatment of equals*, *strategy-proofness*, *individual rationality*, and *no subsidy*, then \mathcal{A}^f must be a \mathcal{B} -bundling unit-demand constraint for some partition \mathcal{B} of M . Let \mathcal{R} be a rich domain, and let $f \equiv (A, t)$ be a rule on \mathcal{R}^n satisfying the above properties. The proof proceeds in three steps:

- (i) In the first step (Step 1), we show that for each $i \in N$ and each distinct $A_i, A'_i \in \mathcal{M}_i \setminus \{\emptyset\}$, $A_i \cap A'_i = \emptyset$. Thus, the set of packages available to agent i under the rule f , \mathcal{M}_i , consists of mutually disjoint packages, and agent i can receive at most one package from \mathcal{M}_i .
- (ii) In the second step (Step 2), we establish that for each $i, j \in N$, $\mathcal{M}_i = \mathcal{M}_j \equiv \overline{\mathcal{M}}$. In the proof of this result, the fairness property of *equal treatment of equals* plays a key role.
- (iii) In the third step (Step 3), we complete the proof by showing that \mathcal{A}^f is a \mathcal{B} -bundling unit-demand for $\mathcal{B} \equiv \overline{\mathcal{M}} \setminus \{\emptyset\}$. Given the results from Steps 1 and 2, no wastage of \mathcal{A}^f ensures that \mathcal{B} is indeed a partition of M .

Given Step 1, Steps 2 and 3 follow relatively easily. Thus, Step 1 is the crucial part of the proof, and we illustrate it for the simplest case where $n = m = 2$ and $\mathcal{R} = \overline{\mathcal{R}}$. Let $M = \{a, b\}$. We establish that for each $i \in N$ and each distinct $A_i, A'_i \in \mathcal{M}_i \setminus \{\emptyset\}$, we have $A_i \cap A'_i = \emptyset$. Suppose for contradiction that there exist $i \in N$ and distinct $A_i, A'_i \in \mathcal{M}_i \setminus \{\emptyset\}$ such that $A_i \cap A'_i \neq \emptyset$. Without loss of generality, suppose $i = 1$. Since $A_1, A'_1 \neq \emptyset$, $A_1 \cap A'_1 \neq \emptyset$, and $M = \{a, b\}$, we may assume without loss of generality that $A_1 = \{a\}$ and $A'_1 = \{a, b\}$.

The proof consists of four claims. First, note that when agent 2 has an additive and quasi-linear preference $R_2 \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$, *constrained efficiency* implies that agent 1 can obtain any package $A''_1 \in \mathcal{M}_1$ by declaring a suitable preference $R_1 \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ under which the

willingness to pay for the objects in A_1'' is sufficiently large and that of the objects not in A_1'' is sufficiently small.

Claim 1. *For each $A_1'' \in \mathcal{M}_1$ and each $R_2 \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$, there exists $R_1 \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ such that $A_1(R_1, R_2) = A_1''$, and so $A_1'' \in \mathcal{M}_1(R_2)$.*

Note that [Claim 1](#) implies that for each $R_2 \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$, $\mathcal{M}_1(R_2) = \mathcal{M}_1$. In particular, since $A_1, A_1' \in \mathcal{M}_1$, it follows that for each $R_2 \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$, we have $A_1, A_1' \in \mathcal{M}_1(R_2)$.

Recall that, as discussed in [Section 3.4.1](#), under a *strategy-proof* rule, an agent's payment depends solely on the package he receives and the preferences of the other agents. Also recall from [Section 3.4.2](#) that the constrained Vickrey rules are the only rules satisfying *constrained efficiency*, *strategy-proofness*, *individual rationality*, and *no subsidy* on the domain $\mathcal{R}^{Add} \cap \mathcal{R}^Q$ (see [Fact 3](#)). Combining these two facts, we conclude that when agent 2 has an additive and quasi-linear preference, agent 1's payment must coincide with that under the constrained Vickrey rule.

Claim 2. *For each $R_2 \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ and each $A_1'' \in \mathcal{M}_1(R_2)$, we have*

$$t_1(R_2; A_1'') = w(M; R_2) - w(M \setminus A_1''; R_2) = w(A_1''; R_2).$$

Let $R_2 \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ be such that $w(\{a\}; R_2) = 1$, $w(\{b\}; R_2) = 1$, and $w(\{a, b\}; R_2) = w(\{a\}; R_2) + w(\{b\}; R_2) = 2$. Let $\tau \in \mathbb{R}^{|\mathcal{M}|}$ be a payment vector on \mathcal{M} such that for each $A_1'' \in \mathcal{M}_1(R_2)$, $\tau_{A_1''} = t_1(R_2; A_1'')$. Recall that $A_1, A_1' \in \mathcal{M}_1(R_2)$ (see [Claim 1](#)). According to [Claim 2](#), we compute τ_{A_1} and $\tau_{A_1'}$ as follows:

$$\begin{aligned}\tau_{A_1} &= t_1(R_2; A_1) = w(A_1; R_2) = w(\{a\}; R_2) = 1, \\ \tau_{A_1'} &= t_1(R_2; A_1') = w(A_1'; R_2) = w(\{a, b\}; R_2) = 2.\end{aligned}$$

Similarly, let $R_2' \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ be such that $w(\{a\}; R_2') = 2$, $w(\{b\}; R_2') = 2$, and $w(\{a, b\}; R_2') = w(\{a\}; R_2') + w(\{b\}; R_2') = 4$. Let $\tau' \in \mathbb{R}^{|\mathcal{M}|}$ be a payment vector on \mathcal{M} such that for each $A_1'' \in \mathcal{M}_1(R_2')$, $\tau'_{A_1''} = t_1(R_2'; A_1'')$. Since $A_1, A_1' \in \mathcal{M}_1(R_2')$ (see [Claim 1](#)), we apply [Claim 2](#) to compute τ'_{A_1} and $\tau'_{A_1'}$ as follows:

$$\begin{aligned}\tau'_{A_1} &= t_1(R_2'; A_1) = w(A_1; R_2') = w(\{a\}; R_2') = 2, \\ \tau'_{A_1'} &= t_1(R_2'; A_1') = w(A_1'; R_2') = w(\{a, b\}; R_2') = 4.\end{aligned}$$

Note that

$$\tau'_{A_1} = 2 > 1 = \tau_{A_1}. \quad (1)$$

This discrepancy in payments allows us to construct a (non-quasi-linear and not necessarily additive) preference $R_1 \in \overline{\mathcal{R}}$ that demands $A_1 = \{a\}$ at τ and $A'_1 = \{a, b\}$ at τ' (see Figure 4).

Claim 3 (Figure 4). *There exists $R_1 \in \overline{\mathcal{R}}$ that demands A_1 at τ and only A'_1 at τ' .*

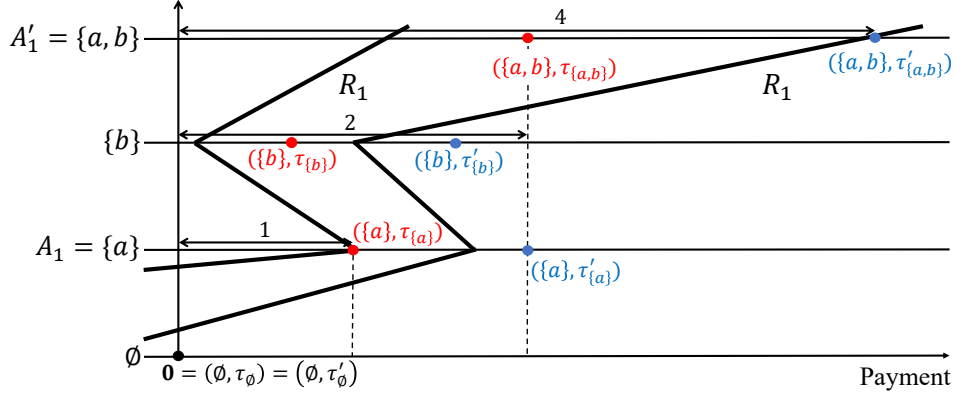


Figure 4: An illustration of Claim 3.

Given Claim 3, strategy-proofness implies that $A_1(R) = A_1 = \{a\}$ and $A_1(R'_2, R_{-2}) = A'_1 = \{a, b\}$ (see Remark 1). Since there are only two agents, no wastage of f implies that agent 2 receives the remaining objects. Therefore, we obtain the following:

Claim 4. *We have $A_2(R) = M \setminus A_1(R) = \{b\}$ and $A_2(R_1, R'_2) = M \setminus A_1(R_1, R'_2) = \emptyset$.*

Claim 4 crucially relies on the fact that there are only two agents. Indeed, if there are three or more agents, no wastage does not necessarily imply that agent 2 receives the remaining objects.

Now, we are in a position to derive a contradiction. Observe that

$$\begin{aligned} w(A_2(R); R'_2) - w(A_2(R_1, R'_2); R'_2) &= w(\{b\}; R'_2) \\ &= 2 > 1 = w(\{b\}; R_2) = w(A_2(R); R_2) - w(A_2(R_1, R'_2); R_2), \end{aligned} \quad (2)$$

where the first and last equalities follow from Claim 4. However, this contradicts monotonicity of f (see Fact 2).

3.4.4 Challenges arising from many agents and domain restrictions

The outline of the proof presented in Section 3.4.3 assumes two agents (i.e., $n = 2$) and the unrestricted domain (i.e., $\mathcal{R} = \overline{\mathcal{R}}$), which simplifies the analysis and makes it more tractable.

The full proof is substantially more complex, as it must account for both the allocation of objects among more than two agents and the restriction on the domain. In what follows, we describe how these features complicate the argument and explain how we address them.

Many agents. First, we explain how the existence of three or more agents complicates the proof. The outline in [Section 3.4.3](#) crucially relies on two types of tractability regarding admissible object allocations: *intrapersonal tractability* and *interpersonal tractability*. Intrapersonal tractability refers to the tractability of the packages available to a single agent (see [Claim 1](#)), while interpersonal tractability refers to the tractability of the packages available to two agents (see [Claim 4](#)). In the outlined proof, both types of tractability are guaranteed by the two-agent assumption.

In the full proof, where there may be three or more agents, both types of tractability may fail under *constrained efficiency*. Indeed, recall that when there are only two agents, an agent can receive any package available under the rule by reporting certain preferences, regardless of the other agent’s preferences (thus ensuring intrapersonal tractability; see [Claim 1](#)). However, when there are three or more agents, the packages available to a given agent may depend on the preferences of the others—that is, intrapersonal tractability fails.¹⁹ To address this form of intractability, we proceed as follows: given a package $A_i \in \mathcal{M}_i$ that is available to agent i under the rule, we identify a sufficient condition on a preference profile of the other agents $R_{-i} \in (\mathcal{R}^{Add} \cap \mathcal{R}^Q)^{n-1}$ that guarantees $A_i \in \mathcal{M}_i(R_{-i})$ (see [Lemma 1](#) in [Appendix A.1.1](#)). Note that this form of tractability is weaker than that established in [Claim 1](#), where $\mathcal{M}_i(R_{-i}) = \mathcal{M}_i$ for each $R_{-i} \in (\mathcal{R}^{Add} \cap \mathcal{R}^Q)^{n-1}$. Nevertheless, this partial tractability still provides a useful foundation for our analysis.

Furthermore, recall that when there are only two agents, *no wastage* implies that the other agent receives the remaining object once a package is assigned to one agent (thus ensuring interpersonal tractability; see [Claim 4](#)). In contrast, when there are three or more agents, determining how the remaining packages are allocated to the other agents becomes a non-trivial problem—that is, interpersonal tractability fails. To recover interpersonal tractability, we exploit the implications of *equal treatment of equals*, along with the other desirable properties, to identify which packages may be available to two agents (see [Lemma 4](#), [Lemma 5](#), and [Lemma 6](#) in [Appendix A.1.2](#)). By contrast, in the outline of the proof for the two-agent case, *equal treatment of equals* plays no role, as full interpersonal tractability is already

¹⁹For details, see Example 3 in the supplementary material.

guaranteed by the two-agent assumption and the *no wastage* property.

Non-quasi-linear preferences do not play an essential role in the above discussion on the tractability of admissible object allocations. Nevertheless, this perspective is novel, as prior studies have not explicitly examined tractability under *constrained efficiency* and *equal treatment of equals*.

Restricted domains. In addition to the challenges posed by allocation constraints, we must also address those arising from domain restrictions. Since our richness condition only requires the domain to include the class of (possibly non-quasi-linear but) additive preferences, we cannot select non-additive preferences in the proof. [Claim 3](#) in the outline asserts that there exists a preference $R_1 \in \overline{\mathcal{R}}$ that demands $A_1 = \{a\}$ at τ and $A'_1 = \{a, b\}$ at τ' . To generalize the proof outline, we need to identify preferences within the restricted domains that satisfy a property analogous to [Claim 3](#). This would be relatively straightforward (see [Figure 4](#)) if we were allowed to choose non-additive preferences, as in [Claim 3](#). However, finding such preferences within the restricted domains presents a challenge. Although it is not possible for certain packages A_1, A'_1 and payment vectors τ, τ' under some constraints,²⁰ we identify conditions on packages, payment vectors, and constraints that guarantee the existence of such a preference (see [Lemma 7](#) and [Lemma 8](#) in [Appendix A.1.3](#)).

3.4.5 Proof of anonymity: An outline

Next, we prove that \mathcal{A}^f satisfies anonymity, assuming—as shown in [Section 3.4.3](#)—that it is a \mathcal{B} -bundling unit-demand constraint for some partition \mathcal{B} of M . As we shall see, the fairness condition of *equal treatment of equals*, together with the characterization of constrained Vickrey rules ([Fact 3](#)), plays a crucial role.

Let \mathcal{R} be a rich domain, and let $f \equiv (A, t)$ be a rule on \mathcal{R}^n that satisfies *constrained efficiency*, *no wastage*, *equal treatment of equals*, *strategy-proofness*, *individual rationality*, and *no subsidy*. Assume \mathcal{A}^f is a \mathcal{B} -bundling unit-demand constraint for some partition \mathcal{B} of M . Suppose for contradiction that \mathcal{A}^f fails to satisfy anonymity. To illustrate the essence of the argument, we focus on the simplest case where $n = m = 2$, and let $M = \{a, b\}$. Since $m = 2$, there are only two possible partitions of M : $\{M\}$ and $\{\{a\}, \{b\}\}$. We here consider the partition $\mathcal{B} = \{M\}$; the argument for the other partition a, b is analogous.

Given that \mathcal{A}^f is a \mathcal{B} -bundling unit-demand constraint, satisfies no wastage (which fol-

²⁰See Example 4 in the supplementary material for details.

lows from *no wastage* of f), but violates anonymity, we must have either $\mathcal{A}^f = \{(M, \emptyset)\}$ or $\mathcal{A}^f = \{(\emptyset, M)\}$. Without loss of generality, let $\mathcal{A}^f = \{(M, \emptyset)\}$. For each $i \in N$, let $R_i \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ be such that $w(M; R_i) = 6$. Note that $R_1 = R_2$. Note also that by richness of \mathcal{R} , $R \in \mathcal{R}^n$. Since f satisfies *constrained efficiency*, *strategy-proofness*, *individual rationality*, and *no subsidy*, its restriction to $(\mathcal{R}^{Add} \cap \mathcal{R}^Q)^n$ satisfies the four properties as well. Thus, it follows from [Fact 3](#) that f coincides with a constrained Vickrey rule on $(\mathcal{R}^{Add} \cap \mathcal{R}^Q)^n$. Thus, since $R \in (\mathcal{R}^{Add} \cap \mathcal{R}^Q)^n$, $f(R)$ is an outcome of a constrained Vickrey rule for R . Thus, since $\mathcal{A}^f = \{(M, \emptyset)\}$, $A(R) = (M, \emptyset)$, $t_1(R) = w(\emptyset; R_2) - w(\emptyset; R_2) = 0$, and $t_2(R) = w(M; R_1) - w(M; R_1) = 0$. Thus,

$$w(A_1(R); R_1) - t_1(R) = w(M; R_1) = 6 \neq 0 = w(\emptyset; R_2) = w(A_2(R); R_2) - t_2(R).$$

However, since $R_1 = R_2$, this contradicts *equal treatment of equals*.

3.5 Independence of the properties

All the properties in [Theorem](#) are indispensable. In the supplementary material, we provide examples that demonstrate that if any one of these properties is dropped, then there exists a rule that (i) differs from any bundling unit-demand MPW rule and (ii) satisfies all the remaining properties.

3.6 Extensions

We can extend [Proposition](#) and [Theorem](#) to the case where the maximal size of income effects is arbitrarily small, so that the domain contains only “almost” non-quasi-linear preferences, and extend [Proposition](#) and the “if” part of [Theorem](#) to the case where only one agent may have non-quasi-linear preferences; see the supplementary material for details.

4 Conclusion

Bundling unit-demand constraints are widely used in practical auction designs, including the European 3G frequency license auctions and recent 5G license auctions in several countries. In practice, certain technological characteristics often imply that some objects are complements and others are substitutes for most agents. Policymakers therefore tend to bundle complements into the same packages and separate substitutes into different ones to

achieve more efficient allocations—an approach consistent with our bundling unit-demand constraints. Our domain richness condition is weak enough to cover such environments, providing a novel theoretical justification for this widely used design principle.

Appendix

A Proof of Proposition

In the Appendix, we provide the proof of Proposition.

A.1 Preliminaries

In this subsection, we present the lemmas that will be used in the proof of Proposition.

A.1.1 Intrapersonal tractability of object allocations

We begin with the following remark, which provides a useful characterization of *constrained efficiency*.

Remark 2 (Constrained efficiency). A rule $f \equiv (A, t)$ on \mathcal{R}^n satisfies *constrained efficiency* if and only if for each $R \in \mathcal{R}^n$, $A(R) \in \arg \max_{A \in \mathcal{A}^f} \sum_{i \in N} w(A_i, t_i; R_i)$, where $t_i \equiv V(\emptyset, f_i(R); R_i)$ for each $i \in N$. If $R \in (\mathcal{R}^Q)^n$, then this condition is equivalent to $A(R) \in \arg \max_{A \in \mathcal{A}^f} \sum_{i \in N} w(A_i; R_i)$.

Regarding intrapersonal tractability of admissible object allocations, the following lemma provides a sufficient condition on preference profiles of the other agents that ensures agent i can obtain a package A_i by declaring some preferences under a rule satisfying *constrained efficiency* and *no wastage*. This condition consists of two components:

- (i) All other agents have the same willingness to pay for each object, except for those in A_i and one object a not in A_i .
- (ii) There exists an agent $j \neq i$ who, conditional on agent i receiving A_i , is assigned object a and has a strictly higher willingness to pay for object a than the other agents.

Note that if there are only two agents, this condition always holds, and the following lemma reduces to Claim 1 in Section 3.4.3.

Lemma 1 (Intrapersonal tractability). Let \mathcal{R} be a rich domain, and let f be a rule on \mathcal{R}^n satisfying constrained efficiency and no wastage. Let $i \in N$ and $A_i \in \mathcal{M}_i$. Let

$j \in N \setminus \{i\}$ and $a \in M \setminus A_i$ be such that for some $A_{-i} \in \mathcal{M}^{n-1}$, $(A_i, A_{-i}) \in \mathcal{A}^f$ and $a \in A_j$. Let $R_{-i} \in (\mathcal{R}^{Add} \cap \mathcal{R}^Q)^{n-1}$ be such that the following two conditions hold:

- (i) For each $k \in M \setminus \{i\}$ and each $b \in M \setminus (A_i \cup \{a\})$, $w(\{b\}; R_k) = w(\{b\}; R_j)$.
- (ii) For each $k \in N \setminus \{i\}$, $w(\{a\}; R_k) \leq w(\{a\}; R_j)$.

Then, there exists $R_i \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ such that $A_i(R_i, R_{-i}) = A_i$, and so $A_i \in \mathcal{M}_i(R_{-i})$.

Proof. We only provide a sketch of the proof; for the formal argument, refer to the supplementary material. Let $R_i \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ be a preference with a sufficiently large willingness to pay for the objects in A_i and a sufficiently small willingness to pay for those not in A_i . We show $A_i(R) = A_i$. Suppose for contradiction that $A_i(R) \neq A_i$. By assumption, there exists $A_{-i} \in \mathcal{M}^{n-1}$ such that $A \equiv (A_i, A_{-i}) \in \mathcal{A}^f$ and $a \in A_j$.

First, suppose $A_i(R) \supsetneq A_i$. Since agent i has a sufficiently small willingness to pay for the objects in A_i , all agents in $N \setminus \{i\}$ have the same willingness to pay for the objects not in $A_i \cup \{a\}$, and agent j has the highest willingness to pay for object $a \in A_j$ among agents in $N \setminus \{i\}$, reallocating the objects in $A_i(R) \setminus A_i$ from agent i to agents in $N \setminus \{i\}$ and assigning object a to agent j would strictly increase the total willingness to pay. In particular, the object allocation A yields a strictly higher total willingness to pay than $A(R)$. However, since $A \in \mathcal{A}^f$, this contradicts *constrained efficiency* (see [Remark 2](#)).

Next, suppose $A_i(R) \not\supseteq A_i$. Since agent i has a sufficiently large willingness to pay for the objects in A_i , reallocating the objects in $A_i \setminus A_i(R)$ from agents in $N \setminus \{i\}$ to agent i would strictly increase the total willingness to pay. In particular, the object allocation A yields a strictly higher total willingness to pay than $A(R)$, contradicting *constrained efficiency* (see [Remark 2](#)). \square

A.1.2 Interpersonal tractability of object allocations

We examine interpersonal tractability of admissible object allocations, corresponding to [Claim 4](#) in the proof outline ([Section 3.4.3](#)). Throughout this subsection, let \mathcal{R} be a rich domain, and let $f \equiv (A, t)$ be a rule on \mathcal{R}^n satisfying *constrained efficiency*, *no wastage*, *equal treatment of equals*, *strategy-proofness*, *individual rationality*, and *no subsidy*.

The following two lemmas provide the foundation for our analysis of interpersonal tractability. Note that by richness, $\mathcal{R}^{Add} \cap \mathcal{R}^Q \subseteq \mathcal{R}^{Add} \subseteq \mathcal{R}$.

Lemma 2. *Let $g \equiv (A^g, t^g)$ be the restriction of f to $(\mathcal{R}^{Add} \cap \mathcal{R}^Q)^n$. Then, $\mathcal{A}^f = \mathcal{A}^g$.*

Proof. Since g is the restriction of f to $(\mathcal{R}^{Add} \cap \mathcal{R}^Q)^n$, $\mathcal{A}^g \subseteq \mathcal{A}^f$. To show $\mathcal{A}^f \subseteq \mathcal{A}^g$, let

$A \in \mathcal{A}^f$. For each $i \in N$, let $R_i \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ be such that for each $a \in A_i$, $w(\{a\}; R_i) = m + 1$, and for each $a \in M \setminus A_i$, $w(\{a\}; R_i) = 1$. By richness, $R \in \mathcal{R}^n$. By the definition of R , $\{A\} = \arg \max_{A' \in \mathcal{A}} \sum_{i \in N} w(A'_i; R_i)$. Since $A \in \mathcal{A}^f$, $\{A\} = \arg \max_{A' \in \mathcal{A}^f} \sum_{i \in N} w(A'_i; R_i)$. Thus, by *constrained efficiency* of f , $A(R) = A$. Since g is the restriction of f to $(\mathcal{R}^{Add} \cap \mathcal{R}^Q)^n$ and $R \in (\mathcal{R}^{Add} \cap \mathcal{R}^Q)^n$, $A^g(R) = A(R) = A$. Thus, $A \in \mathcal{A}^g$. \square

Lemma 3. *Let $R \in (\mathcal{R}^{Add} \cap \mathcal{R}^Q)^n$, and let $i, j \in N$ satisfy $R_i = R_j$. Then,*

$$\max_{A \in \mathcal{A}^f} \sum_{k \in N \setminus \{i\}} w(A_k; R_k) = \max_{A \in \mathcal{A}^f} \sum_{k \in N \setminus \{j\}} w(A_k; R_k).$$

Proof. Let $g \equiv (A^g, t^g)$ be the restriction of f to $(\mathcal{R}^{Add} \cap \mathcal{R}^Q)^n$. Since f satisfies *constrained efficiency*, *strategy-proofness*, *individual rationality*, and *no subsidy*, so does g . Thus, by [Fact 3](#), g is a constrained Vickrey rule on $(\mathcal{R}^{Add} \cap \mathcal{R}^Q)^n$. Thus, for each $k \in N$,

$$\begin{aligned} & w(A_k^g(R); R_k) - t_k^g(R) \\ &= w(A_k^g(R); R_k) - \left(\max_{A \in \mathcal{A}^g} \sum_{l \in N \setminus \{k\}} w(A_l; R_l) - \sum_{l \in N \setminus \{k\}} w(A_l^g(R); R_l) \right) \\ &= \sum_{l \in N} w(A_l^g(R); R_l) - \max_{A \in \mathcal{A}^g} \sum_{l \in N \setminus \{k\}} w(A_l; R_l). \end{aligned} \tag{3}$$

Since $R_i = R_j$, *equal treatment of equals* of g implies $g_i(R) \succeq g_j(R)$, so $w(A_i^g(R); R_i) - t_i^g(R) = w(A_j^g(R); R_j) - t_j^g(R)$. Thus, by (3) and $\mathcal{A}^f = \mathcal{A}^g$ (see [Lemma 2](#)),

$$\sum_{k \in N} w(A_k^g(R); R_k) - \max_{A \in \mathcal{A}^f} \sum_{k \in N \setminus \{i\}} w(A_k; R_k) = \sum_{k \in N} w(A_k^g(R); R_k) - \max_{A \in \mathcal{A}^f} \sum_{k \in N \setminus \{j\}} w(A_k; R_k).$$

Canceling $\sum_{k \in N} w(A_k^g(R); R_k)$ from both sides yields the desired equality. \square

The following three lemmas establish basic forms of interpersonal tractability. We provide only sketches of the proofs for [Lemma 4](#) and [Lemma 6](#). For full details, see the supplementary material.

Lemma 4 (Interpersonal tractability (i)). *Let $A \in \mathcal{A}^f$, and let $i, j \in N$ be two distinct agents. Then, there exists $A' \in \mathcal{A}^f$ such that $A'_j \supseteq A_i$.*

Proof. Suppose for contradiction that for each $A' \in \mathcal{A}^f$, $A'_j \not\supseteq A_i$. Note that $A_i \neq \emptyset$. Let $R \in (\mathcal{R}^{Add} \cap \mathcal{R}^Q)^n$ be a preference profile in which agents i and j share the same pref-

erence, with a sufficiently large willingness to pay for the objects in A_i . Since $A'_j \not\supseteq A_i$ for each $A' \in \mathcal{A}^f$, agent j cannot receive all the objects in A_i under any admissible object allocation. Thus, $\max_{A' \in \mathcal{A}^f} \sum_{k \in N \setminus \{j\}} w(A'_k; R_k) > \max_{A' \in \mathcal{A}^f} \sum_{k \in N \setminus \{i\}} w(A'_k; R_k)$, which contradicts Lemma 3. \square

Given a non-empty set $\mathcal{M}' \subseteq \mathcal{M}$ of packages, a package $A_i \in \mathcal{M}'$ is said to be **maximal (in \mathcal{M}')** if there does not exist any $A'_i \in \mathcal{M}'$ such that $A_i \subsetneq A'_i$.

Lemma 5 (Interpersonal tractability (ii)). *Let $i, j \in N$ be two distinct agents, and let $A_i \in \mathcal{M}_i$ be a package that is maximal in \mathcal{M}_i . Then, $A_i \in \mathcal{M}_j$, and A_i is maximal in \mathcal{M}_j .*

Proof. By Lemma 4, there exists $A_j \in \mathcal{M}_j$ such that $A_j \supseteq A_i$. To prove Lemma 5, it is sufficient to show that for each $A_j \in \mathcal{M}_j$ with $A_j \supseteq A_i$, we have $A_j = A_i$. Suppose for contradiction that there exists $A_j \in \mathcal{M}_j$ such that $A_j \supsetneq A_i$. Then, again by Lemma 4, there exists $A'_i \in \mathcal{M}_i$ such that $A'_i \supseteq A_j$. Since $A_j \supsetneq A_i$, we have $A'_i \supsetneq A_i$, contradicting the assumption that A_i is maximal in \mathcal{M}_i . \square

Lemma 6 (Interpersonal tractability (iii)). *Let $i, j \in N$ be two distinct agents, and let $A_i \in \mathcal{M}_i \setminus \{\emptyset\}$ be a package that is maximal in \mathcal{M}_i . Let $a \in M \setminus A_i$. Then, there exists $A' \in \mathcal{A}^f$ such that $A'_i = A_i$ and $a \in A'_j$.*

Proof. By $A_i \in \mathcal{M}_i$, there exists $A_{-i} \in \mathcal{M}^{n-1}$ such that $A \equiv (A_i, A_{-i}) \in \mathcal{A}^f$. Since \mathcal{A}^f satisfies no wastage (which follows from no wastage of f) and $a \in M \setminus A_i$, there exists $k \in N \setminus \{i\}$ such that $a \in A_k$. If $k = j$, then $A \in \mathcal{A}^f$ satisfies the desired properties: agent i receives A_i and $a \in A_j$. Suppose instead that $k \neq j$.

We now establish that there exists $A' \in \mathcal{A}^f$ such that $A'_i = A_i$ and $A'_j \supseteq A_k$. Note that for such $A' \in \mathcal{A}^f$, since $a \in A_k \subseteq A'_j$, A' satisfies the desired properties.

We proceed by contradiction. Suppose that for each $A' \in \mathcal{A}^f$ with $A'_i = A_i$, it holds that $A'_j \not\supseteq A_k$. Note that $A_k \neq \emptyset$. Let $R \in (\mathcal{R}^{Add} \cap \mathcal{R}^Q)^n$ be a preference profile such that (i) agent i 's willingness to pay for the objects in A_i is sufficiently large, and (ii) agents j and k have identical preferences, with a large willingness to pay for the objects in A_j , though still relatively small compared to agent i 's willingness to pay for the objects in A_i , and (iii) the willingness to pay of each agent $l \in N \setminus \{i, j, k\}$ is small enough. Let $A' \in \arg \max_{A'' \in \mathcal{A}^f} \sum_{l \in N \setminus \{k\}} w(A''_l; R_l)$. Since agent i has a sufficiently large willingness to pay for the objects in A_i and $A \equiv (A_i, A_{-i}) \in \mathcal{A}^f$, we must have $A'_i \supseteq A_i$. Then, since A_i is maximal in \mathcal{M}_i , it follows that $A'_i = A_i$. By our assumption, we have $A'_j \not\supseteq A_k$; that

is, agent j cannot fully receive the objects in A_k under A' . In contrast, since $A \in \mathcal{A}^f$, agent k receives all the objects in A_k under A . Thus, $\max_{A'' \in \mathcal{A}^f} \sum_{l \in N \setminus \{k\}} w(A_l''; R_l) = \sum_{l \in N \setminus \{k\}} w(A_l'; R_l) < \sum_{l \in N \setminus \{k\}} w(A_l; R_l) \leq \max_{A'' \in \mathcal{A}^f} \sum_{l \in N \setminus \{j\}} w(A_l''; R_l)$. However, this contradicts [Lemma 3](#). \square

A.1.3 Existence of preferences in a rich domain

We examine the existence of an additive preference that demands a package A_i at a payment vector τ and another package A'_i at another payment vector τ' . The lemmas presented here correspond to [Claim 3](#) in the proof outline provided in [Section 3.4.3](#).

The following remark describes how to construct an additive and non-quasi-linear preference by two given additive and quasi-linear preferences.

Remark 3 (Figure 6). Let $A_i, A'_i \in \mathcal{M}$, and let $\tau_{A_i}, \tau'_{A'_i} \in \mathbb{R}$. Let $R_i, R'_i \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ be two additive and quasi-linear preferences such that the indifference curve of R_i through (A_i, τ_{A_i}) lies entirely to the left of that of R'_i through $(A'_i, \tau'_{A'_i})$. Then, we can construct an additive preference $R''_i \in \mathcal{R}^{Add}$ with the following properties:

- (i) Each indifference curve to the left of (A_i, τ_{A_i}) is parallel to that of R_i .
- (ii) Each indifference curve to the right of $(A'_i, \tau'_{A'_i})$ is parallel to that of R'_i .
- (iii) Each indifference curve in between is formed by interpolating between the two, that is, by taking a convex combination of the corresponding willingness to pay for R_i and R'_i .

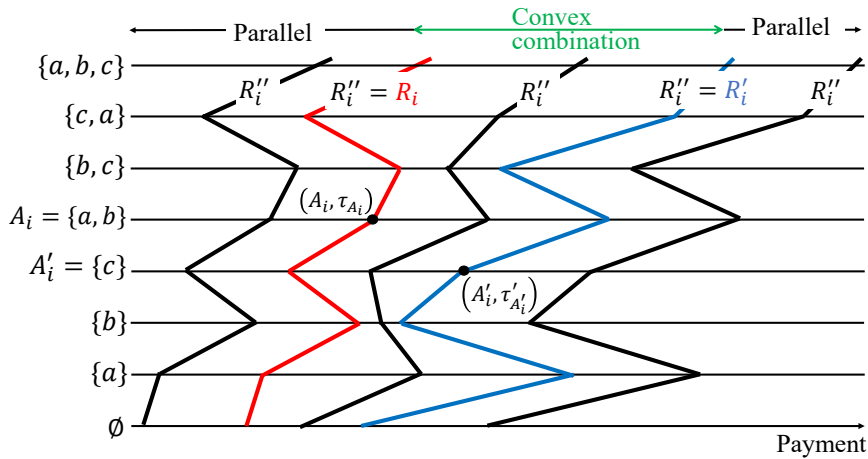


Figure 5: An illustration of [Remark 3](#).

[Figure 5](#) is an illustration of [Remark 3](#). Note that if two quasi-linear preferences R_i and R'_i are additive, then both (i) taking an indifference curve parallel to that of either R_i or R'_i ,

and (ii) interpolating between R_i and R'_i , preserve the additivity of willingness to pay at each payment. Therefore, the constructed preference R''_i in [Remark 3](#) is also additive.

Given a non-empty set $\mathcal{M}' \subseteq \mathcal{M}$ of packages, a payment vector $\tau \in \mathbb{R}^{|\mathcal{M}'|}$ is said to be **object monotonic (on \mathcal{M}')** if for each $A_i, A'_i \in \mathcal{M}'$ with $A'_i \subsetneq A_i$, it holds that $\tau_{A_i} > \tau_{A'_i}$. Two distinct packages $A_i, A'_i \in \mathcal{M}'$ are said to be **adjacent (in \mathcal{M}')** if one of the following holds:

- (i) $A_i \subsetneq A'_i$, and there is no $A''_i \in \mathcal{M}'$ such that $A_i \subsetneq A''_i \subsetneq A'_i$; or
- (ii) $A'_i \subsetneq A_i$, and there is no $A''_i \in \mathcal{M}'$ such that $A'_i \subsetneq A''_i \subsetneq A_i$.

The following lemma provides a sufficient condition for the existence of an additive and non-quasi-linear preference that demands package A_i at a given payment vector τ on \mathcal{M}' , and demands another package A'_i —which is adjacent to A_i —at another payment vector τ' on \mathcal{M}' . [Figure 6](#) illustrates the lemma. In the figure, a solid horizontal line indicates that the corresponding package is included in \mathcal{M}' , while a dotted horizontal line indicates that it is not. Accordingly, in [Figure 6](#), $\mathcal{M}' = \{\emptyset, \{a\}, \{b\}, \{c\}, \{b, c\}\}$.

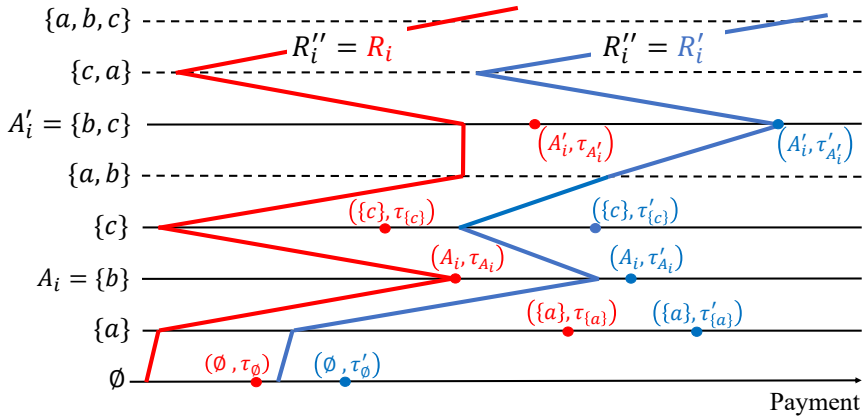


Figure 6: An illustration of [Lemma 7](#).

Lemma 7 (Figure 6). *Let $\mathcal{M}' \subseteq \mathcal{M}$ be a non-empty set of packages. Let $A_i, A'_i \in \mathcal{M}'$ be two adjacent packages in \mathcal{M}' , satisfying the following conditions: (i) $A_i \neq \emptyset$, (ii) $A_i \subsetneq A'_i$, and (iii) for each $A''_i \in \mathcal{M}'$ with $A''_i \cap A'_i \neq \emptyset$, $A''_i \subseteq A'_i$. Let $\tau, \tau' \in \mathbb{R}^{|\mathcal{M}'|}$ be two payment vectors on \mathcal{M}' such that: (iv) $\tau_{A_i} < \tau'_{A'_i}$, and (v) τ, τ' are object monotonic on \mathcal{M}' . Then, there exists an additive preference that demands A_i at τ on \mathcal{M}' , and only A'_i at τ' on \mathcal{M}' .*

Proof. We provide a sketch of the proof; the formal argument can be found in the supplementary material. Let $R_i \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ be a preference with a sufficiently large willingness to pay for the objects in A_i and a sufficiently small willingness to pay for those not in A_i . By

assumptions (ii) and (iv), we can choose $R'_i \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ such that the willingness to pay for the objects in A_i is sufficiently large, that of the objects not in A'_i is sufficiently small, and that of the objects in $A'_i \setminus A_i$ is set so that the indifference curve of R'_i through $(A'_i, \tau'_{A'_i})$ lies entirely to the right of that of R_i through (A_i, τ_{A_i}) (see Figure 6). Then, by Remark 3, there exists an additive preference $R''_i \in \mathcal{R}^{Add}$ whose indifference curve at (A_i, τ_{A_i}) coincides with that of R_i and at $(A'_i, \tau'_{A'_i})$ with that of R'_i . By using assumptions (i) and (v), we can show that R''_i demands A_i at τ . Similarly, by using assumption (iii), we can show that R''_i demands A'_i at τ' . \square

The next lemma provides a sufficient condition for the existence of an additive and non-quasi-linear preference that demands a package A_i at a given payment vector τ on \mathcal{M}' , and a maximal package A'_i satisfying $A'_i \cap A_i = \emptyset$ at another given payment vector τ' on \mathcal{M}' . Its proof is similar to that of Lemma 7 and is deferred to the supplementary material.

Lemma 8. *Let $\mathcal{M}' \subseteq \mathcal{M}$ be a non-empty set of packages. Let $A_i, A'_i \in \mathcal{M}'$ be two packages satisfying the following conditions: (i) $A'_i \neq \emptyset$, (ii) $A_i \cap A'_i = \emptyset$, and (iii) A'_i is maximal in \mathcal{M}' . Let $\tau, \tau' \in \mathbb{R}^{|\mathcal{M}'|}$ be two payment vectors on \mathcal{M}' such that: (iv) $\tau_{A_i} < \tau'_{A'_i}$, and (v) τ, τ' are object monotonic on \mathcal{M}' . Then, there exists an additive preference that demands A_i at τ on \mathcal{M}' and A'_i at τ' on \mathcal{M}' .*

A.2 Proof of Proposition

We now proceed to the proof of Proposition. Let $f \equiv (A, t)$ be a rule on \mathcal{R}^n that satisfies constrained efficiency, no wastage, equal treatment of equals, strategy-proofness, individual rationality, and no subsidy. By no wastage of f , \mathcal{A}^f satisfies no wastage. In the subsequent proof, we repeatedly use the fact that \mathcal{A}^f satisfies no wastage.

A.2.1 Bundling unit-demand constraint

In this subsection, we show that there exists a partition \mathcal{B} of M such that \mathcal{A}^f is a \mathcal{B} -bundling unit-demand constraint and $|\mathcal{B}| \leq n$. The proof proceeds in three steps.

STEP 1. We first show that for each $i \in N$ and each distinct $A_i, A'_i \in \mathcal{M}_i \setminus \{\emptyset\}$, we have $A_i \cap A'_i = \emptyset$. Suppose for contradiction that there exist $i \in N$ and distinct $A_i, A'_i \in \mathcal{M}_i \setminus \{\emptyset\}$ such that $A_i \cap A'_i \neq \emptyset$. The proof basically follows the outline provided in Section 3.4.3.

If A'_i is not maximal in \mathcal{M}_i , then there exists $A''_i \in \mathcal{M}_i$ such that $A''_i \supsetneq A'_i$. Since $A_i \cap A'_i \neq \emptyset$, $A_i \cap A''_i \neq \emptyset$. Therefore, without loss of generality, we may assume that A'_i is maximal in \mathcal{M}_i .

Since \mathcal{R} is rich, we have $\mathcal{R}^{Add} \cap \mathcal{R}^Q \subseteq \mathcal{R}^{Add} \subseteq \mathcal{R}$. Let g be the restriction of f on \mathcal{R}^n to $(\mathcal{R}^{Add} \cap \mathcal{R}^Q)^n$. Since f satisfies *constrained efficiency*, *strategy-proofness*, *individual rationality*, and *no subsidy*, its restriction g also satisfies these properties. Thus, by [Fact 3](#), g is a constrained Vickrey rule. Thus, for each $R \in (\mathcal{R}^{Add} \cap \mathcal{R}^Q)^n$, $f(R) = g(R)$ is an outcome of a constrained Vickrey rule, and hence

$$\begin{aligned} t_i(R) &= t_i(R_{-i}; A_i(R)) = \max_{A'' \in \mathcal{A}^g} \sum_{j \in N \setminus \{i\}} w(A''_j; R_j) - \sum_{j \in N \setminus \{i\}} w(A_j(R); R_j) \\ &= \max_{A'' \in \mathcal{A}^f} \sum_{j \in N \setminus \{i\}} w(A''_j; R_j) - \sum_{j \in N \setminus \{i\}} w(A_j(R); R_j), \end{aligned} \quad (4)$$

where the last equality uses $\mathcal{A}^f = \mathcal{A}^g$ (see [Lemma 2](#)). Note that (4) corresponds to [Claim 2](#) in the outline of the proof presented in [Section 3.4.3](#).

Let $R_0 \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ be such that for each $a \in M$, $w(\{a\}; R_0) = 1$. There are two cases.

CASE 1. For each $A''_i \in \mathcal{M}_i$ with $A''_i \cap A'_i \neq \emptyset$, it holds that $A''_i \subseteq A'_i$.

Since $A_i \cap A'_i \neq \emptyset$, $A_i \subseteq A'_i$. Given that $A_i \neq A'_i$, we have $A_i \subsetneq A'_i$. Without loss of generality, assume that A_i and A'_i are adjacent in \mathcal{M}_i . Since $A_i \neq \emptyset$, we can choose $a \in A_i$. Since $A_i \subsetneq A'_i$, we have $A'_i \setminus A_i \neq \emptyset$, so we can choose some $b \in A'_i \setminus A_i$ (see [Figure 9](#)).

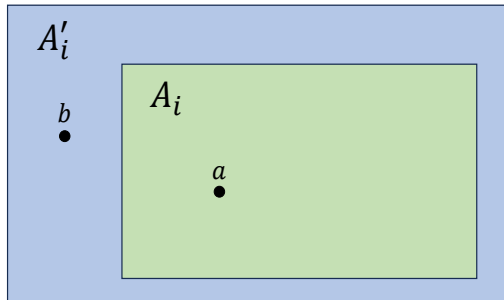


Figure 7: An illustration of the packages in Case 1.

By $A_i \in \mathcal{M}_i$, there exists $A_{-i} \in \mathcal{M}^{n-1}$ such that $A \equiv (A_i, A_{-i}) \in \mathcal{A}^f$. By no wastage of \mathcal{A}^f (which follows from *no wastage* of f) and $b \notin A_i$, there exists $j \in N \setminus \{i\}$ such that $b \in A_j$. Let $R_j \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ be such that $w(\{b\}; R_j) = m + 1$, and for each $c \in M \setminus \{b\}$,

$w(\{c\}; R_j) = 1$. Let $R'_j \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ be such that $w(\{a\}; R'_j) = 3m$, $w(\{b\}; R'_j) = m + 2$, and for each $c \in M \setminus \{a, b\}$, $w(\{c\}; R'_j) = 1$. For each $k \in N \setminus \{i, j\}$, let $R_k = R_0$.

Let $\tau, \tau' \in \mathbb{R}^{|\mathcal{M}_i|}$ be two object monotonic payment vectors on \mathcal{M}_i such that for each $A''_i \in \mathcal{M}_i(R_{-i})$, $\tau_{A''_i} = t_i(R_{-i}; A''_i)$, and for each $A''_i \in \mathcal{M}_i(R'_j, R_{-i,j})$, $\tau'_{A''_i} = t_i(R'_j, R_{-i,j}; A''_i)$. It follows from *strategy-proofness* and object monotonicity of preferences that τ, τ' are object monotonic on $\mathcal{M}_i(R_{-i})$ and $\mathcal{M}_i(R'_j, R_{-i,j})$, respectively. Thus, we can choose such τ, τ' satisfying object monotonicity on \mathcal{M}_i .²¹

Recall that $A \in \mathcal{A}^f$ and $b \in A_j$. Thus, since $w(\{b\}; R_j) \geq w(\{b\}; R_k)$ and $w(\{c\}; R_j) = w(\{c\}; R_k)$ for each $k \in N \setminus \{i, j\}$ and each $c \in M \setminus (A_i \cup \{b\})$, [Lemma 1](#) implies that there exists $R_i \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ such that $A_i(R_i, R_{-i}) = A_i$, and thus $A_i \in \mathcal{M}_i(R_{-i})$. This corresponds to [Claim 1](#) in the outline of the proof presented in [Section 3.4.3](#). Similarly, we can invoke [Lemma 1](#) to claim that there exists $R'_i \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ such that $A_i(R'_i, R_{-i,j}) = A_i$.²² Thus, $A_i \in \mathcal{M}_i(R'_j, R_{-i,j})$. Since A'_i is maximal in \mathcal{M}_i , $A'_i \in \mathcal{M}_j$ (see [Lemma 5](#)). By $a \in A_i = A_i(R'_i, R_{-i,j})$, $a \notin A_j(R'_i, R_{-i,j})$.

Since $w(\{a\}; R'_j) > w(\{a\}; R_j)$, the impact that agent i imposes on the other agents by receiving the package $A_i \ni a$ under $(R'_j, R_{-i,j})$ is greater than under R_{-i} . Recall that under a constrained Vickrey rule, each agent pays the impact on the other agents. Thus, since τ_{A_i} corresponds to the payment of agent i under the constrained Vickrey rule for R_{-i} when receiving A_i , and τ'_{A_i} corresponds to the payment under $(R'_j, R_{-i,j})$ (see (4)), we have²³

$$\tau'_{A_i} > \tau_{A_i}. \quad (5)$$

This inequality corresponds to inequality (1) in the outline of the proof presented in [Section 3.4.3](#). Recall that τ and τ' are both object monotonic on \mathcal{M}_i . Note that $\emptyset \neq A_i \subsetneq A'_i$, that A_i and A'_i are adjacent in \mathcal{M}_i , and that, by the assumption of Case 1, for each $A''_i \in \mathcal{M}_i$ with $A'_i \cap A''_i \neq \emptyset$, it holds that $A''_i \subseteq A'_i$. Thus, the assumptions of [Lemma 7](#) are satisfied,

²¹We construct $(\tau_{A''_i})_{A''_i \in \mathcal{M}_i \setminus \mathcal{M}_i(R_{-i})}$ by the following algorithm:

STEP 1. Choose a package $A''_i \in \mathcal{M}_i \setminus \mathcal{M}_i(R_{-i})$ with the minimum number of objects such that $\tau_{A''_i}$ has not been defined.

STEP 2. For the A''_i chosen in Step 1, choose $\tau_{A''_i} \in (L_{A''_i}, U_{A''_i})$, where $L_{A''_i} = \max_{A'''_i \in \mathcal{M}_i: A'''_i \subsetneq A''_i} \tau_{A'''_i}$ (if no such A'''_i exists, $L_{A''_i} = -\infty$), and $U_{A''_i} = \min_{A'''_i \in \mathcal{M}_i(R_{-i}): A''_i \subsetneq A'''_i} \tau_{A'''_i}$ (if no such A'''_i exists, $U_{A''_i} = \infty$). If $\tau_{A''_i}$ has not been defined for some $A''_i \in \mathcal{M}_i \setminus \mathcal{M}_i(R_{-i})$, return to Step 1. Otherwise, stop.

For each $A''_i \in \mathcal{M}_i \setminus \mathcal{M}_i(R_{-i})$, we have $L_{A''_i} < U_{A''_i}$. Thus, the above algorithm is well-defined. Using this inequality together with object monotonicity of τ on $\mathcal{M}_i(R_{-i})$, we can show that τ is object monotonic on \mathcal{M}_i . A formal proof can be found in the supplementary material. Similarly, we can construct an object monotonic τ' .

²²This also corresponds to [Claim 1](#) in the outline of the proof presented in [Section 3.4.3](#).

²³The formal proof of (5) can be found in the supplementary material.

and so the lemma implies that there exists $R_i'' \in \mathcal{R}^{Add}$ that demands A_i at τ and A_i' at τ' on \mathcal{M}_i . Note that this corresponds to [Claim 3](#) in the proof outline provided in [Section 3.4.3](#).

Since $A_i \in \mathcal{M}_i(R_{-i}) \subseteq \mathcal{M}_i$ and R_i'' demands A_i at τ on \mathcal{M}_i , for each $A_i'' \in \mathcal{M}_i(R_{-i}) \setminus \{A_i\}$, $z_i(R_{-i}; A_i) = (A_i, \tau_{A_i}) P_i''(A_i'', \tau_{A_i'') = z_i(R_{-i}; A_i'')$. Thus, by *strategy-proofness*, we have $A_i(R_i'', R_{-i}) = A_i$ (see [Remark 1](#)). Since $a \in A_i = A_i(R_i'', R_{-i})$, it follows that $a \notin A_j(R_i'', R_{-i})$. On the other hand, since $A \in \mathcal{A}^f$ and $b \in A_j$, *constrained efficiency* implies $b \in A_j(R_i'', R_{-i})$, as assigning object b to agent j , conditional on $A_i(R_i'', R_{-i}) = A_i \not\supseteq b$, maximizes the total willingness to pay (see [Remark 2](#)).

Since $w(\{c\}; R_j) = w(\{c\}; R_0) = w(\{c\}; R_k)$ for each $k \in N \setminus \{i, j\}$ and each $c \in M \setminus A_i'$, [Lemma 1](#) implies $A_i' \in \mathcal{M}_i(R_j', R_{-i,j})$. Thus, since $\mathcal{M}_i(R_j', R_{-i,j}) \subseteq \mathcal{M}_i$ and R_i'' demands A_i' at τ' on \mathcal{M}_i , for each $A_i'' \in \mathcal{M}_i(R_j', R_{-i,j}) \setminus \{A_i'\}$, $z_i(R_j', R_{-i,j}; A_i') = (A_i', \tau_{A_i'}) P_i''(A_i'', \tau_{A_i'') = z_i(R_j', R_{-i,j}; A_i'')$. Thus, by *strategy-proofness*, $A_i(R_i'', R_j', R_{-i,j}) = A_i'$ (see [Remark 1](#)). Since $a, b \in A_i' = A_i(R_i'', R_j', R_{-i,j})$, $a, b \notin A_j(R_i'', R_j', R_{-i,j})$.

To sum up, we have

$$a \notin A_j(R_i'', R_{-i}), \quad b \in A_j(R_i'', R_{-i}), \quad a, b \notin A_j(R_i'', R_j', R_{-i,j}). \quad (6)$$

This corresponds to [Claim 4](#) in the outline of the proof presented in [Section 3.4.3](#). Then,

$$\begin{aligned} & w(A_j(R_i'', R_{-i}); R_j') - w(A_j(R_i'', R_j', R_{-i,j}); R_j') \\ &= (|A_j(R_i'', R_{-i}) \setminus \{b\}| + (m+2)) - |A_j(R_i'', R_j', R_{-i,j})| \\ &> (|A_j(R_i'', R_{-i}) \setminus \{b\}| + (m+1)) - |A_j(R_i'', R_j', R_{-i,j})| \\ &= w(A_j(R_i'', R_{-i}); R_j) - w(A_j(R_i'', R_j', R_{-i,j}); R_j), \end{aligned}$$

where the first and the second equalities follow from (6) and additivity of R_j, R_j' . This inequality corresponds to inequality (2) in the outline of the proof presented in [Section 3.4.3](#). However, it contradicts *monotonicity* of f (see [Fact 2](#)).

CASE 2. There exists $A_i'' \in \mathcal{M}_i$ such that $A_i' \cap A_i'' \neq \emptyset$ and $A_i'' \not\subseteq A_i'$.

The proof for Case 2 follows a similar structure to that for Case 1, but differs in several respects. In particular, we use [Lemma 8](#) instead of [Lemma 7](#) to establish the existence of an additive preference. The formal argument is deferred to the supplementary material.

STEP 2. We show that for each $i, j \in N$, $\mathcal{M}_i = \mathcal{M}_j \equiv \overline{\mathcal{M}}$. We provide an outline of the proof; we defer the formal argument to the supplementary material. Let $i, j \in N$ be two distinct agents. We show $\mathcal{M}_i \subseteq \mathcal{M}_j$; the reverse inclusion follows symmetrically. Let $A_i \in \mathcal{M}_i$. If $A_i \neq \emptyset$, then by Step 1, A_i is maximal in \mathcal{M}_i . Hence, $A_i \in \mathcal{M}_j$ (see Lemma 5). Suppose $A_i = \emptyset$. To show $A_i \in \mathcal{M}_j$, suppose $A_i \notin \mathcal{M}_j$. Let $R \in (\mathcal{R}^{Add} \cap \mathcal{R}^Q)$ be a preference profile in which all agents have the same willingness to pay for each object. Note that $R_i = R_j$. Since $A_i = \emptyset$ and \mathcal{A}^f satisfies no wastage, all objects are allocated to agents other than agent i in some $A \equiv (A_i, A_{-i}) \in \mathcal{A}^f$. On the other hand, since $A_i = \emptyset \notin \mathcal{M}_j$, it is not possible for all objects to be allocated to agents other than agent j in any admissible object allocation. Thus, it follows that $\max_{A' \in \mathcal{A}^f} \sum_{k \in N \setminus \{i\}} w(A'_k; R_k) > \max_{A' \in \mathcal{A}^f} \sum_{k \in N \setminus \{j\}} w(A'_k; R_k)$, contradicting Lemma 3.

STEP 3. We now complete the proof. Let $\mathcal{B} \equiv \overline{\mathcal{M}} \setminus \{\emptyset\}$. By Step 2 and no wastage of \mathcal{A}^f , $\bigcup \mathcal{B} = M$. By Step 2, for each $i \in N$, $\mathcal{B} = \mathcal{M}_i \setminus \{\emptyset\}$. By Step 1, for each distinct $A_i, A'_i \in \mathcal{B}$, $A_i \cap A'_i = \emptyset$. Thus, \mathcal{B} is a partition of M . Furthermore, for each $A \in \mathcal{A}^f$ and each $i \in N$, since $A_i \in \mathcal{M}_i$ and $\mathcal{B} = \mathcal{M}_i \setminus \{\emptyset\}$, we have $A_i \in \mathcal{B} \cup \{\emptyset\}$. Hence, \mathcal{A}^f is \mathcal{B} -bundling unit-demand. Finally, by no wastage of \mathcal{A}^f , $|\mathcal{B}| \leq n$, since otherwise more than n non-empty packages would need to be assigned to n distinct agents, contradicting feasibility.

A.2.2 Anonymity

In this subsection, we prove that \mathcal{A}^f satisfies anonymity. The argument in this subsection corresponds to the outline given in Section 3.4.5.

A permutation π on N is a **transposition on N** if there exist $i, j \in N$ such that $\pi(i) = j$, $\pi(j) = i$, and for each $k \in N \setminus \{i, j\}$, $\pi(k) = k$. Since any permutation on N can be written as a product of transpositions, to prove \mathcal{A}^f satisfies anonymity, it suffices to show that for each $A \in \mathcal{A}^f$ and each transposition π on N , $A^\pi \in \mathcal{A}^f$. The proof proceeds in two steps.

STEP 1. We show that for each $A \in \mathcal{A}^f$ and each transposition π on N such that for some $i, j \in N$, $\pi(i) = j$, $\pi(j) = i$, and $A_j = \emptyset$, we have $A^\pi \in \mathcal{A}^f$. We provide an outline of the proof; a more formal argument can be found in the supplementary material. Let $A \in \mathcal{A}^f$. Let π be a transposition on N such that for some distinct $i, j \in N$, $\pi(i) = j$, $\pi(j) = i$, and $A_j = \emptyset$. If $A_i = \emptyset$, then $A^\pi = A \in \mathcal{A}^f$. Suppose that $A_i \neq \emptyset$. To show $A^\pi \in \mathcal{A}^f$, suppose

$A^\pi \notin \mathcal{A}^f$.

Let $R \in (\mathcal{R}^{Add} \cap \mathcal{R}^Q)^n$ be a preference profile such that (i) agents i and j have the same preference with a sufficiently large willingness to pay for the objects in A_i , (ii) each agent $k \in N \setminus \{i, j\}$ has a preference with a sufficiently large willingness to pay for the objects in A_k , and (iii) any willingness to pay not specified in (i) or (ii) is sufficiently small. Since $A_j = \emptyset$, $A^\pi \notin \mathcal{A}^f$, and \mathcal{A}^f is a bundling unit-demand constraint (see [Appendix A.2.1](#)), in any admissible object allocation, either agent j cannot fully receive the objects in A_i , or some agent $k \in N \setminus \{i, j\}$ cannot fully receive the objects in A_k . Thus, by $A \in \mathcal{A}^f$, $\max_{A' \in \mathcal{A}^f} \sum_{k \in N \setminus \{j\}} w(A'_k; R_k) \geq \sum_{k \in N \setminus \{j\}} w(A_k; R_k) > \max_{A' \in \mathcal{A}^f} \sum_{k \in N \setminus \{i\}} w(A'_k; R_k)$, which contradicts [Lemma 3](#).

STEP 2. Next, we show that for each $A \in \mathcal{A}^f$ and each transposition π on N such that for some $i, j \in N$, $\pi(i) = j$, $\pi(j) = i$, and $A_i, A_j \neq \emptyset$, we have $A^\pi \in \mathcal{A}^f$. Let $A \in \mathcal{A}^f$. Let π be a transposition on N such that for some distinct $i, j \in N$, $\pi(i) = j$, $\pi(j) = i$, and $A_i, A_j \neq \emptyset$. We show that $A^\pi \in \mathcal{A}^f$. There are two cases.

CASE 1. There exists $k \in N \setminus \{i, j\}$ such that $A_k = \emptyset$.

$$\begin{array}{c}
 \text{agents} \\
 i \quad j \quad k \quad N \setminus \{i, j, k\} \\
 A = (A_i, A_j, A_k, A_{- \{i, j, k\}}) \\
 A^{\pi^1} = (A_k, A_j, A_i, A_{- \{i, j, k\}}) \\
 A^{\pi^2 \pi^1} = (A_j, A_k, A_i, A_{- \{i, j, k\}}) \\
 A^\pi = A^{\pi^3 \pi^2 \pi^1} = (A_j, A_i, A_k, A_{- \{i, j, k\}})
 \end{array}$$

Figure 8: An illustration of the packages A , A^{π^1} , $A^{\pi^2 \pi^1}$, and $A^{\pi^3 \pi^2 \pi^1}$ in Case 1 of Step 2

Given two transpositions π^1 and π^2 on N , we define $A^{\pi^2 \pi^1} \equiv (A^{\pi^1})^{\pi^2}$. Let π^1 be a transposition on N such that $\pi^1(i) = k$ and $\pi^1(k) = i$. By $A_k = \emptyset$, Step 1 implies $A^{\pi^1} \in \mathcal{A}^f$. Let π^2 be a transposition on N such that $\pi^2(i) = j$ and $\pi^2(j) = i$, and π^3 a transposition on N such that $\pi^3(j) = k$ and $\pi^3(k) = j$. By successively applying Step 1 and using $A_k = \emptyset$, we obtain $A^{\pi^3 \pi^2 \pi^1} \in \mathcal{A}^f$. Thus, since $A^\pi = A^{\pi^3 \pi^2 \pi^1}$ (see [Figure 8](#)), it follows that $A^\pi \in \mathcal{A}^f$.

CASE 2. For each $k \in N \setminus \{i, j\}$, $A_k \neq \emptyset$.

To show $A^\pi \in \mathcal{A}^f$, suppose $A^\pi \notin \mathcal{A}^f$. Since $A_k \neq \emptyset$ for each $k \in N$, $A^\pi \notin \mathcal{A}^f$, and \mathcal{A}^f is

a bundling unit-demand constraint (see [Appendix A.2.1](#)), in any admissible object allocation, either agent j cannot fully receive the objects in A_i , or some agent $k \in N \setminus \{i, j\}$ cannot fully receive the objects in A_k . The remaining part of the proof, including the construction of a preference profile, follows the same argument as in Step 1. Thus, we omit the details.

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Supplementary material to “Constrained efficiency and strategy-proofness in package assignment problems with money”

Hiroki Shinozaki*

Shigehiro Serizawa†

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In this supplementary material, we provide the examples and proofs that are omitted from the main text. All results, definitions, examples, remarks, and equation numbers are carried over from the main text.

S.1 Omitted examples

In this section, we present the examples omitted from the main text.

S.1.1 Challenges arising from many agents and domain restrictions: Examples for Section 3.4.4

In this subsection, we present two examples that illustrate the challenges arising from having many agents and domain restrictions. The first example shows that, unlike the two-agent case, when there are three or more agents, the set of packages available to a given agent may depend on the preferences of the others—that is, intrapersonal tractability fails.

Example 3. Let $n = 3$ and $m = 3$, and let $M = \{a, b, c\}$. Let \mathcal{R} be a rich domain. Let f be a rule on \mathcal{R}^n satisfying *constrained efficiency* (and *no wastage*), such that

$$\mathcal{A}^f = \left\{ (\{a\}, \{b\}, \{c\}), (\{a, b\}, \{c\}, \emptyset) \right\}.$$

*Hitotsubashi Institute for Advanced Study, Hitotsubashi University. Email: shinozakecon@gmail.com

†Faculty of Economics, Osaka University of Economics. Email: serizawa.8558@gmail.com

Let $R_{-1} \in (\mathcal{R}^{Add} \cap \mathcal{R}^Q)^2$ be such that $w(\{b\}; R_2) = 1$, $w(\{c\}; R_2) = 5$, and $w(\{c\}; R_3) = 1$. Since $w(\{b\}; R_2) + w(\{c\}; R_3) = 1 + 1 = 2 < 5 = w(\{c\}; R_2)$, *constrained efficiency* implies that for each $R_1 \in \mathcal{R}$, $A_1(R_1, R_{-1}) = \{a, b\}$. Thus, there exists no $R_1 \in \mathcal{R}$ such that $A_1(R_1, R_{-1}) = \{a\}$. Thus, $\mathcal{M}_1(R_{-1}) = \{\{a, b\}\}$. However, under other preferences of the remaining agents—for example, when all other agents have the same additive and quasi-linear preferences, agent 1 can obtain either $\{a\}$ or $\{a, b\}$, depending on the preference he reports. Thus, for some $R'_{-1} \in (\mathcal{R}^{Add} \cap \mathcal{R}^Q)^2$, $\mathcal{M}_1(R'_{-1}) = \{\{a\}, \{a, b\}\} = \mathcal{M}_1$. Thus, the conclusion of Lemma 1 does not hold without its assumptions.

The following example shows that there may not exist an additive and non-quasi-linear preference that demands a package A_i at a payment vector τ and another package A'_i at a different payment vector τ' . Thus, the conclusions of Lemmas 7 and 8 do not hold without their respective assumptions.

Example 4. Let $m = 2$, and let $M = \{a, b\}$. Let $\tau, \tau' \in \mathbb{R}^{|M|}$ be two object monotonic payment vectors such that $\tau_\emptyset = 0$, $\tau_{\{a\}} = \tau_{\{b\}} = 1$, $\tau_{\{a, b\}} = 2$, $\tau'_\emptyset = 0$, $\tau'_{\{a\}} = \tau'_{\{b\}} = 2$, and $\tau'_{\{a, b\}} = 4$. Then, no additive preference R_i demands $A_i = \emptyset$ at τ on \mathcal{M} and $A'_i = \{a, b\}$ at τ' on \mathcal{M} . To see this, let $R_i \in \mathcal{R}^{Add}$ be an additive preference that demands $A'_i = \{a, b\}$ at τ' on \mathcal{M} . Then, since $(\{a, b\}, \tau'_{\{a, b\}}) P_i (\{b\}, \tau'_{\{b\}})$, $V(\{b\}, (\{a, b\}, \tau'_{\{a, b\}}); R_i) < \tau'_{\{b\}}$, which implies

$$\begin{aligned} & V(\{a, b\}, (\{a, b\}, \tau'_{\{a, b\}}); R_i) - V(\{b\}, (\{a, b\}, \tau'_{\{a, b\}}); R_i) \\ &= \tau'_{\{a, b\}} - V(\{b\}, (\{a, b\}, \tau'_{\{a, b\}})) \\ &> \tau'_{\{a, b\}} - \tau'_{\{b\}} \\ &= 4 - 2 = 2. \end{aligned}$$

Since $(\{a, b\}, \tau'_{\{a, b\}}) P_i (\{a\}, \tau'_{\{a\}})$, $\tau'_{\{a\}} > V(\{a\}, (\{a, b\}, \tau'_{\{a, b\}}); R_i)$. We have

$$\begin{aligned} & V(\{a\}, (\{a, b\}, \tau'_{\{a, b\}}); R_i) - V(\emptyset, (\{a, b\}, \tau'_{\{a, b\}}); R_i) \\ &= V(\{a, b\}, (\{a, b\}, \tau'_{\{a, b\}}); R_i) - V(\{b\}, (\{a, b\}, \tau'_{\{a, b\}}); R_i) \\ &> 2, \end{aligned}$$

where the first equality follows from additivity of R_i . Thus,

$$\begin{aligned}\tau'_{\{a\}} - V\left(\emptyset, (\{a, b\}, \tau'_{\{a, b\}}); R_i\right) &> V\left(\{a\}, (\{a, b\}, \tau'_{\{a, b\}}); R_i\right) - V\left(\emptyset, (\{a, b\}, \tau'_{\{a, b\}}); R_i\right) \\ &> 2 = \tau'_{\{a\}},\end{aligned}$$

where the first inequality follows from $\tau'_{\{a\}} > V\left(\{a\}, (\{a, b\}, \tau'_{\{a, b\}}); R_i\right)$. Thus, we have $V\left(\emptyset, (\{a, b\}, \tau'_{\{a, b\}}); R_i\right) < 0$, which implies $(\{a, b\}, \tau'_{\{a, b\}}) P_i \mathbf{0}$. Thus, by $\tau_{\{a, b\}} = 2 < 4 = \tau'_{\{a, b\}}$, $(\{a, b\}, \tau_{\{a, b\}}) P_i (\{a, b\}, \tau'_{\{a, b\}}) P_i \mathbf{0}$. Thus, R_i does not demand $A_i = \emptyset$ at τ on \mathcal{M} .

S.1.2 Independence of the properties

The following examples demonstrate that each property in Theorem is indispensable: if any one of them is dropped, there exists a rule that (i) differs from every bundling unit-demand MPW rule and (ii) satisfies all the remaining properties. They further show that even if *equal treatment of equals* is replaced with stronger properties such as *anonymity* or *no envy*, all the properties remain indispensable. In all the following examples, let \mathcal{R} be a rich domain.

Example 5 (Dropping constrained efficiency). Let $n = 4$ and $m = 2$, and let $M = \{a, b\}$.²⁴ Let $\mathcal{B} = \{\{a\}, \{b\}\}$. Let g be a \mathcal{B} -bundling unit-demand MPW rule, and let $R_0 \in \mathcal{R}$. We define a rule f based on g as follows.

Informally, if all agents except one—say, agent i —have the same preference R_0 , then agent i is allowed to choose between the outcome under g and the outcome under a $\{M\}$ -bundling unit-demand MPW rule (which corresponds to the bundling second-price rule for the grand bundle M). If there is no such agent for which all other agents have preference R_0 , then f coincides with g .

The formal definition of f is as follows:

- (i) If $|\{i \in N : R_i = R_0\}| = 3$, and for the unique $i \in N$ such that $R_i \neq R_0$, we have $(M, V(M, \mathbf{0}; R_0)) P_i g_i(R)$, then define $f_i(R) = (M, V(M, \mathbf{0}; R_0))$ and $f_j(R) = \mathbf{0}$ for each $j \in N \setminus \{i\}$.
- (ii) If $|\{i \in N : R_i = R_0\}| \neq 3$, or if $|\{i \in N : R_i = R_0\}| = 3$ and for the unique $i \in N$ such that $R_i \neq R_0$, $g_i(R) R_i (M, V(M, \mathbf{0}; R_0))$, then let $f(R) = g(R)$.

²⁴The argument here can be readily extended to cases where $n \geq 4$ and $m \geq 2$. Whether *constrained efficiency* is indispensable for Theorem when $n = 2$ remains an open question. When $m = 1$, the class of rules on a rich domain that satisfy *no wastage*, *equal treatment of equals*, *strategy-proofness*, *individual rationality*, and *no subsidy* coincides with the class of bundling unit-demand MPW rules (Sakai, 2013). Thus, in that case, *constrained efficiency* can be dispensed with in Theorem.

Note that $\mathcal{A}^f = \{A \in \mathcal{A} : \forall i \in N, A_i = \emptyset, \{a\}, \{b\}, \text{ or } M, \bigcup_{i=1}^4 A_i = M\}$. Note also that f is not a bundling unit-demand MPW rule with any partition of M .

Claim 5. *The rule f satisfies no wastage, equal treatment of equals, anonymity, no envy, strategy-proofness, individual rationality, and no subsidy, but it violates constrained efficiency.*

We defer the proof of Claim 5 to Section S4.10 in the supplementary material.

Example 6 (Dropping no wastage). Let f be the *no trade rule* on \mathcal{R}^n , that is, the rule such that for each $R \in \mathcal{R}^n$ and each $i \in N$, $f_i(R) = \mathbf{0}$. Note that $\mathcal{A}^f = \{(\emptyset, \dots, \emptyset)\}$. Then:
(i) f is not a bundling unit-demand MPW rule with any partition of M , and
(ii) it satisfies *constrained efficiency, equal treatment of equals, anonymity, no envy, strategy-proofness, individual rationality, and no subsidy*, but violates *no wastage*.

Example 7 (Dropping equal treatment of equals). Let $i \in N$, and let $A \in \mathcal{A}$ be such that $A_i = M$ and $A_j = \emptyset$ for each $j \in N \setminus \{i\}$. Let f be a rule on \mathcal{R}^n such that for each $R \in \mathcal{R}^n$, we have $f_i(R) = (M, 0)$ and $f_j(R) = \mathbf{0}$ for each $j \in N \setminus \{i\}$ —that is, agent i is the dictator under f . Note that $\mathcal{A}^f = \{A\}$. Then:
(i) f is not a bundling unit-demand MPW rule with any partition of M , and
(ii) it satisfies *constrained efficiency, no wastage, strategy-proofness individual rationality, and no subsidy*, but violates *equal treatment of equals, anonymity, and no envy*.

Example 8 (Dropping strategy-proofness). Let \mathcal{B} be a partition of M . By Demange and Gale (1985) and Alkan and Gale (1990), for each $R \in \mathcal{R}^n$, there exists a unique maximum element of $P(R, \mathcal{B})$ with respect to the vector inequality on \mathcal{B}_0 , denoted by $p^{\max}(R, \mathcal{B})$. Let f be a \mathcal{B} -bundling unit-demand maximum price Walrasian rule on \mathcal{R}^n , that is, a rule such that for each $R \in \mathcal{R}^n$, $(f(R), p^{\max}(R, \mathcal{B}))$ is a \mathcal{B} -bundling unit-demand Walrasian equilibrium for R . Note that $\mathcal{A}^f = \mathcal{C}^*(\mathcal{B})$. Then:

(i) f is not a bundling unit-demand MPW rule with any partition of M , and
(ii) it satisfies *constrained efficiency, no wastage, equal treatment of equals, anonymity, no envy, individual rationality, and no subsidy*, but violates *strategy-proofness*.

Example 9 (Dropping individual rationality). Let \mathcal{B} be a partition of M . Let f be a \mathcal{B} -bundling unit-demand MPW rule with a (common and fixed) participation fee $e > 0$. Note that $\mathcal{A}^f = \mathcal{C}^*(\mathcal{B})$. Then:

(i) f is not a bundling unit-demand MPW rule with any partition of M , and

(ii) it satisfies *constrained efficiency, no wastage, equal treatment of equals, anonymity, no envy, strategy-proofness*, and *no subsidy*, but violates *individual rationality*.

Example 10 (Dropping no subsidy). Let \mathcal{B} be a partition of M . Let f be a \mathcal{B} -bundling unit-demand MPW rule associated with a (common and fixed) participation subsidy $s < 0$. Note that $\mathcal{A}^f = \mathcal{C}^*(\mathcal{B})$. Then:

- (i) f is not a bundling unit-demand MPW rule with any partition of M , and
- (ii) it satisfies *constrained efficiency, no wastage, equal treatment of equals, anonymity, no envy, strategy-proofness*, and *individual rationality*, but violates *no subsidy*.

S.2 Rich domains

In this section, we present examples of rich domains to which Theorem applies.

A **price vector** is a vector $p \equiv (p_a)_{a \in M} \in \mathbb{R}_+^m$. Note that a price vector differs from a bundling price vector in that a price vector specifies the price of each *object*, whereas a bundling price vector specifies the price of each *package*. Thus, a price vector corresponds to a $\bar{\mathcal{B}}$ -bundling price vector, where $\bar{\mathcal{B}} \equiv \{\{a\} : a \in M\}$.

Given a preference $R_i \in \mathcal{R}$ and a price vector $p \in \mathbb{R}_+^m$, the **(Walrasian) demand set for R_i at p** is defined as

$$D(R_i, p) \equiv \left\{ A_i \in \mathcal{M} : \forall A'_i \in \mathcal{M}, \left(A_i, \sum_{a \in A_i} p_a \right) R_i \left(A'_i, \sum_{a \in A'_i} p_a \right) \right\},$$

where we set $\sum_{a \in \emptyset} p_a \equiv 0$. In words, the demand set for R_i at p is the set of most preferred packages at the given price vector p .

Given a preference $R_i \in \mathcal{R}$, a price vector $p \in \mathbb{R}_+^m$, and $z_i \in \mathcal{M} \times \mathbb{R}$, the **Hicksian demand set for R_i at p and z_i** is defined as

$$D_H(R_i, p, z_i) \equiv \left\{ A_i \in \mathcal{M} : \exists t_i \in \mathbb{R} \text{ such that } (A_i, t_i) \in \arg \min_{(A'_i, t'_i) \in \mathcal{M} \times \mathbb{R} : (A'_i, t'_i) R_i z_i} \left(\sum_{a \in A'_i} p_a - t'_i \right) \right\}.$$

Here, a payment is considered a good, with its price normalized to -1 . Thus, the expenditure for (A_i, t_i) at price vector p is equal to $\sum_{a \in A_i} p_a - t_i$. The Hicksian demand set at p and z_i is the set of expenditure-minimizing packages that yield at least as high a welfare level as z_i .

The following are examples of rich domains. These domains have recently attracted attention because they ensure the existence of a Walrasian equilibrium without requiring quasi-linearity.

Example 11 (Rich domains). The following are all rich domains.

- A preference R_i satisfies the **net substitutes condition** (Kelso and Crawford, 1982; Baldwin et al., 2023) if for each price vector $p \in \mathbb{R}_+^m$, each $z_i \in \mathcal{M} \times \mathbb{R}$, each $a \in M$, each $\delta \in \mathbb{R}_{++}$, and each $A_i \in D_H(R_i, p, z_i)$, there exists $A'_i \in D_H(R_i, p + \delta \mathbf{e}_a, z_i)$ such that $A_i \setminus \{a\} \subseteq A'_i$. That is, a preference satisfies the net substitutes condition if, whenever the price of an object increases, the Hicksian demand for the other objects does not decrease. This condition reflects substitutability among all objects and guarantees the existence of a Walrasian equilibrium (Kelso and Crawford, 1982; Baldwin et al., 2023). Let \mathcal{R}^{NS} denote the class of all preferences that satisfy the net substitutes condition. Then, \mathcal{R}^{NS} is a rich domain (Kelso and Crawford, 1982; Baldwin et al., 2023).²⁵
- A preference R_i satisfies the **net complements condition** (Rostek and Yoder, 2020; Baldwin et al., 2023) if for each $p, p' \in \mathbb{R}_+^m$ with $p \geq p'$, each $z_i \in \mathcal{M} \times \mathbb{R}$, each $A_i \in D_H(R_i, p, z_i)$, and each $A'_i \in D_H(R_i, p', z_i)$, we have that $A_i \cap A'_i \in D_H(R_i, p, z_i)$ and $A_i \cup A'_i \in D_H(R_i, p', z_i)$. Roughly speaking, a preference satisfies the net complements condition if, as prices increase, the Hicksian demand for the objects does not increase. The net complements condition reflects complementarity among all objects and ensures the existence of a Walrasian equilibrium (Rostek and Yoder, 2020; Baldwin et al., 2023). Let \mathcal{R}^{NC} denote the class of all preferences that satisfy the net complements condition. Then, \mathcal{R}^{NC} is a rich domain (Rostek and Yoder, 2020; Baldwin et al., 2023).
- Let \mathcal{B} be a partition of M such that $|\mathcal{B}| = 2$. Thus, M is partitioned into two sets, M_1 and M_2 . A preference R_i satisfies the **net substitutes and complements condition with respect to \mathcal{B}** (Sun and Yang, 2006; Baldwin et al., 2023) if for each price vector $p \in \mathbb{R}_+^m$, each $z_i \in X \times \mathbb{R}$, each distinct $j, k \in \{1, 2\}$, each $a \in M_j$, each

²⁵To be more specific, the richness of \mathcal{R}^{NS} follows from two established results:

- Baldwin et al. (2023) show that a preference R_i satisfies the net substitutes condition, provided that for each payment $t_i \in \mathbb{R}$, the quasi-linear preference $R'_i \in \mathcal{R}^Q$ with willingness to pay $w(\cdot; R'_i) = w(\cdot, t_i; R_i)$ satisfies the net substitutes condition.
- Kelso and Crawford (1982) establish that all additive and quasi-linear preferences satisfy the net substitutes condition.

By the same argument, one can also show that the net complements domain and the net substitutes and complements domain introduced below are both rich.

$\delta \in \mathbb{R}_{++}$, and each $A_i \in D_H(R_i, p, z_i)$, there exists $A'_i \in D_H(R_i, p + \delta \mathbf{e}_a, z_i)$ such that $(A_i \cap M_j) \setminus \{a\} \subseteq A'_i \cap M_j$ and $A'_i \cap M_k \subseteq A_i \cap M_k$. That is, the net substitutes and complements condition requires that when the price of an object in M_j increases, the Hicksian demand for other objects in the same set does not decrease, while the demand for objects in the other set does not increase. This condition reflects substitutability within each set and complementarity across sets. It guarantees the existence of a Walrasian equilibrium (Sun and Yang, 2006; Baldwin et al., 2023). Given a partition \mathcal{B} of M with $|\mathcal{B}| = 2$, let $\mathcal{R}^{NSC}(\mathcal{B})$ denote the class of all preferences that satisfy the net substitutes and complements condition with respect to \mathcal{B} . Then, $\mathcal{R}^{NSC}(\mathcal{B})$ is a rich domain (Sun and Yang, 2006; Baldwin et al., 2023).

- A preference R_i satisfies the **single improvement condition** (Gul and Stacchetti, 1999; Nguyen and Vohra, 2024) if for each price vector $p \in \mathbb{R}_+^m$ and each $A_i \notin D(R_i, p)$, there exists $A'_i \in \mathcal{M}$ such that $\left(A'_i, \sum_{a \in A'_i} p_a\right) \succsim_i \left(A_i, \sum_{a \in A_i} p_a\right)$, $|A_i \setminus A'_i| \leq 1$, and $|A'_i \setminus A_i| \leq 1$. That is, a preference satisfies the single improvement condition if any suboptimal bundle (in terms of Walrasian demand) can be improved by removing, adding, or swapping a single object. The single improvement condition is equivalent to the net substitutes condition under quasi-linear preferences (Gul and Stacchetti, 1999), and has played a central role in the design of dynamic auctions that converge to a Walrasian equilibrium under quasi-linear preferences (Gul and Stacchetti, 2000).²⁶ It also guarantees the existence of a Walrasian equilibrium even without assuming quasi-linearity (Nguyen and Vohra, 2024). Let \mathcal{R}^{SI} denote the class of all preferences that satisfy the single improvement condition. Then, \mathcal{R}^{SI} is a rich domain.²⁷

Gul and Stacchetti (1999) also introduce another condition that is equivalent to both the net substitutes condition and the single improvement condition under quasi-linear preferences. A preference R_i satisfies the **no complementarities condition** (Gul and Stacchetti, 1999) if for each price vector $p \in \mathbb{R}_+^m$, each $A_i, A'_i \in D(R_i, p)$, and each $A''_i \in \mathcal{M}$ with $A''_i \subseteq A_i$, there exists $A'''_i \in \mathcal{M}$ such that $A'''_i \subseteq A'_i$ and $A_i \setminus (A''_i \cup A'''_i) \in D(R_i, p)$.

²⁶Without quasi-linearity, the equivalence between the single improvement condition and the net substitutes condition does not necessarily hold. Similarly, under non-quasi-linear preferences, the equivalence between the no complementarities condition—introduced below—and the net substitutes condition does not necessarily hold.

²⁷The proof sketch for the richness of \mathcal{R}^{SI} is as follows. Since the single improvement condition concerns the Walrasian demand set at a given price vector, a preference R_i satisfies the condition if for each $t_i \in \mathbb{R}$, the quasi-linear preference $R'_i \in \mathcal{R}^Q$ with $w(\cdot; R'_i) = w(\cdot, t_i; R_i)$ satisfies the single improvement condition. Because each additive and quasi-linear preference satisfies the single improvement condition (Gul and Stacchetti, 1999), it follows that each additive preference also satisfies the condition. Therefore, \mathcal{R}^{SI} is rich. Similarly, \mathcal{R}^{NOC} , introduced below, is also rich.

This condition guarantees the existence of a Walrasian equilibrium without assuming quasi-linearity (Nguyen and Vohra, 2024). Let \mathcal{R}^{NoC} denote the class of all preferences that satisfy the no complementarities condition. Then, \mathcal{R}^{NoC} is a rich domain.

We can also define the gross substitutes condition (Kelso and Crawford, 1982), the gross complements condition (Rostek and Yoder, 2020), and the gross substitutes and complements condition (Sun and Yang, 2006) in terms of the Walrasian demand set instead of the Hicksian demand set. However, none of these domains is rich.

S.3 Extensions

In this section, we discuss extensions of Proposition and Theorem.

First, we argue that our results remain valid even if domains contain only “almost” non-quasi-linear preferences. Given a preference $R_i \in \mathcal{R}$, the **size of income effects under R_i** is:

$$s_i(R_i) \equiv \sup_{A_i \in \mathcal{M}, t_i, t'_i \in \mathbb{R}} \{w(A_i, t_i; R_i) - w(A_i, t'_i; R_i)\}.$$

Note that $s_i(R_i) \in \mathbb{R}_+ \cup \{\infty\}$, and $s_i(R_i) = 0$ if and only if $R_i \in \mathcal{R}^Q$. Given a domain \mathcal{R} and $\varepsilon \in \mathbb{R}_+ \cup \{\infty\}$, let

$$\mathcal{R}(\varepsilon) \equiv \{R_i \in \mathcal{R} : s_i(R_i) \leq \varepsilon\}$$

denote the class of preferences in \mathcal{R} whose maximal size of income effects is at most ε .

Note that our domain richness condition allows arbitrarily large income effects (i.e., $\varepsilon = \infty$). Inspecting the proof of Proposition reveals that the size of income effects is irrelevant, so the result holds under a weaker ε -richness condition for any $\varepsilon \in \mathbb{R}_{++} \cup \{\infty\}$, where $\mathcal{R} \supseteq \mathcal{R}^{Add}(\varepsilon)$.²⁸ Moreover, since the MPW characterization in the unit-demand model holds for such domains (Wakabayashi et al., 2025), Theorem also applies.²⁹ Thus, the size of income effects does not affect our results.

Next, we argue that some of our results hold even when only a single agent may have non-quasi-linear preferences. While we have assumed that all agents share the same class of

²⁸To be more precise, the following observations allow us to extend the result to ε -rich domains: (i) If the payment vectors τ and τ' in Lemmas 7 and 8 are almost identical, we can construct additive preferences with almost parallel indifference curves, making the size of income effects arbitrarily small. (ii) In Step 1 of Appendix A.2.1, if we construct two almost identical preference profiles for the agents other than i , R_{-i} and $(R'_j, R_{-i,j})$, then agent i 's payments under the constrained Vickrey rule are almost the same, yielding two almost identical payment vectors τ and τ' .

²⁹Although Wakabayashi et al. (2025) state their result for the case $\varepsilon = \infty$, inspecting their proof reveals that the characterization holds for any $\varepsilon \in \mathbb{R}_{++} \cup \{\infty\}$.

preferences \mathcal{R} , our model readily extends to the case where each agent $i \in N$ may have a (possibly) distinct class \mathcal{R}_i . Within this framework, Proposition extends to the case where only one agent may have additive and non-quasi-linear preferences, while the others have additive and quasi-linear preferences. Although the “if” part of Theorem also extends to this case, whether the “only if” part does remains an open question, as it is unclear whether the corresponding characterization of the MPW rules holds in the unit-demand model when only one agent may have non-quasi-linear preferences.

Finally, these two extensions can be combined, allowing the maximal size of income effects to be arbitrarily small while only one agent has non-quasi-linear preferences.

S.4 Omitted proofs

In this section, we provide the proofs omitted from the main text as well as the proof of [Claim 5](#).

S.4.1 Lemma 1

We provide the formal proof of Lemma 1. Let $R_i \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ satisfy the following two conditions:

- For each $A'_i \in \mathcal{M}$ with $A'_i \supsetneq A_i$,

$$w(A'_i \setminus A_i; R_i) < w(A'_i \setminus A_i; R_j), \quad (7)$$

- For each $b \in A_i$,

$$w(\{b\}; R_i) > w(M \setminus A_i; R_i) + \sum_{k \in N \setminus \{i\}} w(M; R_k). \quad (8)$$

Note that, by object monotonicity of R_j , the right-hand side of (7) is positive, so we can indeed choose such a preference R_i satisfying (7). Moreover, by richness of \mathcal{R} , $R \in \mathcal{R}^n$.

We show that $A_i(R) = A_i$. Suppose for contradiction that $A_i(R) \neq A_i$. By our assumption, there exists $A_{-i} \in \mathcal{M}^{n-1}$ such that $(A_i, A_{-i}) \in \mathcal{A}^f$ and $a \in A_j$. We consider two cases.

CASE 1. $A_i(R) \supsetneq A_i$.

By no wastage of \mathcal{A}^f (which follows from *no wastage* of f), $\bigcup_{k \in N} A_k(R) = \bigcup_{k \in N} A_k = M$.

We have

$$\begin{aligned}
\sum_{k \in N \setminus \{i\}} w(A_k; R_k) &= w(\{a\}; R_j) + w(A_j \setminus \{a\}; R_j) + \sum_{k \in N \setminus \{i, j\}} w(A_k; R_k) \\
&= w(\{a\}; R_j) + w\left(\left(\bigcup_{k \in N \setminus \{i\}} A_k\right) \setminus \{a\}; R_j\right) \\
&= w(M \setminus A_i; R_j),
\end{aligned} \tag{9}$$

where the first equality follows from $a \in A_j$ and additivity of R_j ; the second from additivity of R_{-i} and the assumption that $w(\{b\}; R_k) = w(\{b\}; R_j)$ for each $k \in N \setminus \{i\}$ and each $b \in M \setminus (A_i \cup \{a\})$ (and hence giving objects of agents in $N \setminus \{i, j\}$ to agent j does not change the total willingness to pay among agents in $N \setminus \{i\}$); and the last from $\bigcup_{k \in N} A_k = M$ and additivity of R_j . Since $A_i(R) \supseteq A_i$, we have $A_k(R) \subseteq M \setminus A_i$ for each $k \in N \setminus \{i\}$. Then,

$$\begin{aligned}
\sum_{k \in N \setminus \{i\}} w(A_k(R); R_k) &\leq w(\{a\}; R_j) + w(A_j(R) \setminus \{a\}; R_j) + \sum_{k \in N \setminus \{i, j\}} w(A_k(R) \setminus \{a\}; R_k) \\
&= w(\{a\}; R_j) + w\left(\left(\bigcup_{k \in N \setminus \{i\}} A_k(R)\right) \setminus \{a\}; R_j\right) \\
&= w(M \setminus A_i(R); R_j),
\end{aligned} \tag{10}$$

where the inequality follows from additivity of R_{-i} and the assumption that $w(\{a\}; R_k) \leq w(\{a\}; R_j)$ for each $k \in N \setminus \{i\}$ (and hence assigning object a to agent j (weakly) increases the total willingness to pay among agents in $N \setminus \{i\}$); the first equality uses additivity of R_{-i} and that $A_k(R) \subseteq M \setminus A_i$ for each $k \in N \setminus \{i\}$, along with $w(\{b\}; R_k) = w(\{b\}; R_j)$ for each $b \in M \setminus (A_i \cup \{a\})$ (and hence giving objects of agents in $N \setminus \{i, j\}$, except for object a , to agent j does not change the total willingness to pay); the last equality follows from $\bigcup_{k \in N \setminus \{i\}} A_k(R) = M \setminus A_i(R)$ (which follows from $\bigcup_{k \in N} A_k(R) = M$) and additivity of R_j .

We have

$$\begin{aligned}
& \sum_{k \in N} w(A_k; R_k) - \sum_{k \in N} w(A_k(R); R_k) \\
&= \sum_{k \in N \setminus \{i\}} \left(w(A_k; R_k) - w(A_k(R); R_k) \right) - w(A_i(R) \setminus A_i; R_i) \\
&\geq w(M \setminus A_i; R_j) - w(A_i \setminus A_i(R); R_j) - w(A_i(R) \setminus A_i; R_i) \\
&= w(A_i(R) \setminus A_i; R_j) - w(A_i(R) \setminus A_i; R_i) > 0,
\end{aligned}$$

where the first equality uses additivity of R_i and $A_i(R) \supsetneq A_i$; the first inequality follows from (9) and (10); the second equality uses additivity of R_j and $A_i(R) \supsetneq A_i$; and the last inequality follows from $A_i(R) \supsetneq A_i$ and (7). Since $A \in \mathcal{A}^f$, this contradicts *constrained efficiency* (see Remark 2).

CASE 2. $A_i(R) \not\supsetneq A_i$.

By $A_i(R) \not\supsetneq A_i$, $A_i \setminus A_i(R) \neq \emptyset$, so we can choose some $b \in A_i \setminus A_i(R)$. Then,

$$\begin{aligned}
& \sum_{k \in N} w(A_k; R_k) - \sum_{k \in N} w(A_k(R); R_k) \\
&= w(A_i \setminus A_i(R); R_i) - w(A_i(R) \setminus A_i; R_i) - \sum_{k \in N \setminus \{i\}} \left(w(A_k(R); R_k) - w(A_k; R_k) \right) \\
&\geq w(\{b\}; R_i) - w(M \setminus A_i; R_i) - \sum_{k \in N \setminus \{i\}} w(M; R_k) \\
&> 0,
\end{aligned}$$

where the first equality uses additivity of R_i ; the first inequality follows from $b \in A_i \setminus A_i(R)$ and object monotonicity; and the last inequality from (8). Since $A \in \mathcal{A}^f$, this contradicts *constrained efficiency* (see Remark 2).

S.4.2 Lemma 4

We present the formal proof of Lemma 4. Suppose for contradiction that for each $A' \in \mathcal{A}^f$, we have $A'_j \not\supsetneq A_i$. Note that $A_i \neq \emptyset$. Let $R_i \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ be such that for each $a \in A_i$, $w(\{a\}; R_i) = m + 1$, and for each $a \in M \setminus A_i$, $w(\{a\}; R_i) = 1$. Let $R_j = R_i$, and for each $k \in N \setminus \{i, j\}$, let $R_k \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ be such that for each $a \in M$, $w(\{a\}; R_k) = 1$. Since

$A \in \mathcal{A}^f$ and $i \in N \setminus \{j\}$, we have

$$\max_{A' \in \mathcal{A}^f} \sum_{k \in N \setminus \{j\}} w(A'_k; R_k) \geq w(A_i; R_i) = (m+1)|A_i|.$$

In contrast, for each $A' \in \mathcal{A}^f$, we have $A'_j \not\supseteq A_i$, and hence $|A'_j \cap A_i| < |A_i|$. Therefore, by the construction of R_{-i} , the total willingness to pay among agents in $N \setminus \{i\}$ is at most the amount obtained when agent j receives $|A_i| - 1$ objects from A_i , and the remaining objects are allocated to agents in $N \setminus \{i\}$ (that is, agent j cannot receive all the objects in A_i). Thus,

$$\max_{A' \in \mathcal{A}^f} \sum_{k \in N \setminus \{i\}} w(A'_k; R_k) \leq (m+1)(|A_i| - 1) + |M \setminus A_i| + 1 < (m+1)|A_i|,$$

where the last inequality uses $|M \setminus A_i| < m$ (since $A_i \neq \emptyset$). Combining these inequalities, we obtain

$$\max_{A' \in \mathcal{A}^f} \sum_{k \in N \setminus \{j\}} w(A'_k; R_k) \geq (m+1)|A_i| > \max_{A' \in \mathcal{A}^f} \sum_{k \in N \setminus \{i\}} w(A'_k; R_k),$$

which contradicts Lemma 3.

S.4.3 Lemma 6

The formal proof of Lemma 6 is provided below. By $A_i \in \mathcal{M}_i$, there exists $A_{-i} \in \mathcal{M}^{n-1}$ such that $A \equiv (A_i, A_{-i}) \in \mathcal{A}^f$. Since \mathcal{A}^f satisfies no wastage (which follows from *no wastage* of f) and $a \in M \setminus A_i$, there exists $k \in N \setminus \{i\}$ such that $a \in A_k$. If $k = j$, then $A \in \mathcal{A}^f$ satisfies the desired properties: agent i receives A_i and $a \in A_j$. Suppose instead that $k \neq j$.

We now establish that there exists $A' \in \mathcal{A}^f$ such that $A'_i = A_i$ and $A'_j \supseteq A_k$. Note that for such $A' \in \mathcal{A}^f$, since $a \in A_k \subseteq A'_j$, A' satisfies the desired properties.

We proceed by contradiction. Suppose that for each $A' \in \mathcal{A}^f$ with $A'_i = A_i$, it holds that $A'_j \not\supseteq A_k$. Note that $A_k \neq \emptyset$. The proof now proceeds in three steps.

STEP 1. We begin by constructing a preference profile. Let $R_i \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ be such that for each $a \in A_i$, $w(\{a\}; R_i) = (m+1)^2$, and for each $a \in M \setminus A_i$, $w(\{a\}; R_i) = 1$. For each $l \in \{j, k\}$, let $R_l \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ be such that for each $a \in A_k$, $w(\{a\}; R_l) = m+1$, and for each $a \in M \setminus A_k$, $w(\{a\}; R_l) = 1$. Note that $R_j = R_k$. For each $l \in N \setminus \{i, j, k\}$, let $R_l \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ be such that for each $a \in M$, $w(\{a\}; R_l) = 1$.

STEP 2. Next, we show that for each $A' \in \arg \max_{A'' \in \mathcal{A}^f} \sum_{l \in N \setminus \{k\}} w(A_l''; R_l)$, we have $A'_i = A_i$. Let $A' \in \arg \max_{A'' \in \mathcal{A}^f} \sum_{l \in N \setminus \{k\}} w(A_l''; R_l)$. We claim that $A'_i \supseteq A_i$. Suppose for contradiction that $A'_i \not\supseteq A_i$. Then, $A'_i \cap A_i \subsetneq A_i$, and hence $|A'_i \cap A_i| < |A_i|$. Therefore,

$$\begin{aligned}
\sum_{l \in N \setminus \{k\}} w(A'_l; R_l) &\leq (m+1)^2 |A'_i \cap A_i| + |A'_j \cap A_k| (m+1) + m - (|A'_i \cap A_i| + |A'_j \cap A_k|) \\
&\leq (m+1)^2 |A'_i \cap A_i| + m(m+1) + m \\
&< (m+1)^2 |A_i| \\
&= w(A_i; R_i) \\
&\leq \sum_{l \in N \setminus \{k\}} w(A_l; R_l),
\end{aligned}$$

where the right-hand side of the first inequality corresponds to the case in which all objects are allocated at A' ; and the third inequality uses the facts that $|A'_i \cap A_i| < |A_i|$ and $(m+1)^2 > m(m+1)+m$. However, since $A \in \mathcal{A}^f$, this contradicts $A' \in \arg \max_{A'' \in \mathcal{A}^f} \sum_{l \in N \setminus \{k\}} w(A_l''; R_l)$. Thus, we must have $A'_i \supseteq A_i$, and since A_i is maximal in \mathcal{M}_i , it follows that $A'_i = A_i$.

STEP 3. Finally, we derive a contradiction. Let $A' \in \arg \max_{A'' \in \mathcal{A}^f} \sum_{l \in N \setminus \{k\}} w(A_l''; R_l)$. By Step 2, $A'_i = A_i$. Thus, by our assumption, $A'_j \not\supseteq A_k$. Thus, $A'_j \cap A_k \subsetneq A_k$, and hence $|A'_j \cap A_k| < |A_k|$. Then, we have

$$\begin{aligned}
\max_{A'' \in \mathcal{A}^f} \sum_{l \in N \setminus \{k\}} w(A_l''; R_l) &= \sum_{l \in N \setminus \{k\}} w(A'_l; R_l) \\
&\leq (m+1)^2 |A'_i \cap A_i| + (m+1) |A'_j \cap A_k| + m - |A'_i \cap A_i| - |A'_j \cap A_k| \\
&\leq (m+1)^2 |A_i| + (m+1) |A'_j \cap A_k| + m \\
&< (m+1)^2 |A_i| + (m+1) |A_k| \\
&= w(A_i; R_i) + w(A_k; R_k) \\
&\leq \sum_{l \in N \setminus \{j\}} w(A_l; R_l) \\
&\leq \max_{A'' \in \mathcal{A}^f} \sum_{l \in N \setminus \{j\}} w(A_l''; R_l),
\end{aligned}$$

where the right-hand side of the first inequality corresponds to the case in which all objects are allocated at A' ; the second inequality uses $A'_i = A_i$; the third inequality uses $|A'_j \cap A_k| < |A_k|$ and $m+1 > m$; and the last follows from $A \in \mathcal{A}^f$. However, this contradicts Lemma 3,

completing the proof.

S.4.4 Lemma 7

This subsection presents the formal proof of Lemma 7. We begin by stating a formal version of Remark 3, which will be used to prove Lemmas 7 and 8.

Remark 3 (Formal version). Let $A_i, A'_i \in \mathcal{M}$, and let $\tau_{A_i}, \tau'_{A'_i} \in \mathbb{R}$. Let $R_i, R'_i \in \mathcal{R}^Q \cap \mathcal{R}^{Add}$ be two additive and quasi-linear preferences satisfying that for each $A''_i \in \mathcal{M}$, $w(A''_i; R_i) - w(A_i; R_i) + \tau_{A_i} < w(A''_i; R'_i) - w(A'_i; R'_i) + \tau'_{A'_i}$. Let $\tau'_{A_i} \equiv w(A_i; R'_i) - w(A'_i; R'_i) + \tau'_{A'_i}$, so $\tau_{A_i} < \tau'_{A_i}$. Let $\alpha : [\tau_{A_i}, \tau'_{A_i}] \rightarrow [0, 1]$ be such that for each $t_i \in [\tau_{A_i}, \tau'_{A_i}]$, $\alpha(t_i) = \frac{t_i - \tau_{A_i}}{\tau'_{A_i} - \tau_{A_i}}$. We now define a preference $R''_i \in \mathcal{R}^{Add}$ as follows: for each $A''_i \in \mathcal{M}$ and each $t_i \in \mathbb{R}$,

$$t_i - V(A''_i, (A_i, t_i); R''_i) = \begin{cases} w(A_i; R_i) - w(A''_i; R_i) & \text{if } t_i \leq \tau_{A_i}, \\ (1 - \alpha(t_i))(w(A_i; R_i) - w(A''_i; R_i)) + \alpha(t_i)(w(A_i; R'_i) - w(A''_i; R'_i)) & \text{if } \tau_{A_i} \leq t_i \leq \tau'_{A_i}, \\ w(A_i; R'_i) - w(A''_i; R'_i) & \text{if } t_i \geq \tau'_{A_i}. \end{cases}$$

Note that R''_i satisfies the following properties: for each $A''_i \in \mathcal{M}$,

$$\begin{aligned} \tau_{A_i} - V(A''_i, (A_i, \tau_{A_i}); R''_i) &= w(A_i; R_i) - w(A''_i; R_i), \\ \tau'_{A'_i} - V(A''_i, (A'_i, \tau'_{A'_i}); R''_i) &= w(A'_i; R'_i) - w(A''_i; R'_i). \end{aligned}$$

We then proceed to the proof of Lemma 7. The proof consists of four steps.

STEP 1. We begin by constructing two additive and quasi-linear preferences. Let $K_i, L_i, \varepsilon_i \in \mathbb{R}_{++}$ be a triple of positive constants, where K_i is sufficiently large and ε_i is sufficiently small, such that the following conditions are satisfied:

- For each $A''_i \in \mathcal{M}'$,

$$K_i > \varepsilon_i m + \max \left\{ \tau_{A_i} - \tau_{A''_i}, \tau'_{A'_i} - \tau'_{A''_i} \right\}. \quad (11)$$

- For each $A_i'' \in \mathcal{M}'$ with $A_i'' \supsetneq A_i$,

$$\varepsilon_i |A_i'' \setminus A_i| < \tau_{A_i''} - \tau_{A_i}, \quad (12)$$

$$\tau'_{A_i'} - \tau'_{A_i} < L_i |A_i' \setminus A_i| < \tau'_{A_i'} - \tau_{A_i} - \varepsilon_i |A_i' \setminus A_i|. \quad (13)$$

Since τ is object monotonic on \mathcal{M}' , we can always choose a sufficiently small $\varepsilon_i > 0$ satisfying (12). Furthermore, given object monotonicity of τ' , the assumption that $A_i \subsetneq A_i'$, and that $\tau_{A_i} < \tau'_{A_i}$, we can select $\varepsilon_i, L_i > 0$ satisfying (13).

Let $R_i \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ be such that for each $a \in A_i$, $w(\{a\}; R_i) = K_i$, and each $a \in M \setminus A_i$, $w(\{a\}; R_i) = \varepsilon_i$. Similarly, let $R_i' \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ be such that for each $a \in A_i$, $w(\{a\}; R_i') = K_i$, for each $a \in A_i' \setminus A_i$, $w(\{a\}; R_i') = L_i$, and for each $a \in M \setminus A_i'$, $w(\{a\}; R_i') = \varepsilon_i$.

STEP 2. Next, we construct an additive and non-quasi-linear preference based on R_i and R_i' .

For each $A_i'' \in \mathcal{M}$, observe that

$$\begin{aligned} w(A_i''; R_i) - w(A_i; R_i) + \tau_{A_i} &= \varepsilon_i |A_i'' \setminus A_i| - K_i |A_i \setminus A_i''| + \tau_{A_i} \\ &< \varepsilon_i |A_i'' \setminus A_i'| - K_i |A_i \setminus A_i''| - L_i |A_i' \setminus A_i| + \tau'_{A_i'} \\ &\leq \varepsilon_i |A_i'' \setminus A_i'| - K_i |A_i \setminus A_i''| - L_i |A_i' \setminus (A_i \cup A_i'')| + \tau'_{A_i'} \\ &= w(A_i''; R_i') - w(A_i'; R_i') + \tau'_{A_i'}, \end{aligned}$$

where the first inequality follows from (13) and $|A_i'' \setminus A_i| - |A_i'' \setminus A_i'| \leq |A_i' \setminus A_i|$; and the second inequality uses $A_i' \setminus (A_i \cup A_i'') \subseteq A_i' \setminus A_i$ (and hence $|A_i' \setminus (A_i \cup A_i'')| \leq |A_i' \setminus A_i|$). This confirms that the indifference curve of R_i through (A_i, τ_{A_i}) lies entirely to the left of that of R_i' through $(A_i', \tau'_{A_i'})$. Hence, by Remark 3, we can define an additive preference $R_i'' \in \mathcal{R}^{Add}$ such that for each $A_i'' \in \mathcal{M}$,

$$\tau_{A_i} - V(A_i'', (A_i, \tau_{A_i}); R_i'') = w(A_i; R_i) - w(A_i''; R_i), \quad (14)$$

$$\tau'_{A_i'} - V(A_i'', (A_i', \tau'_{A_i'}); R_i'') = w(A_i'; R_i') - w(A_i''; R_i'). \quad (15)$$

STEP 3. We now show that R_i'' demands A_i at τ on \mathcal{M}' . Let $A_i'' \in \mathcal{M}' \setminus \{A_i\}$. If $A_i'' \not\supseteq A_i$, then $A_i \setminus A_i'' \neq \emptyset$, and we have

$$\tau_{A_i} - V(A_i'', (A_i, \tau_{A_i}); R_i'') = w(A_i; R_i) - w(A_i''; R_i) = K_i |A_i \setminus A_i''| - \varepsilon_i |A_i'' \setminus A_i| > \tau_{A_i} - \tau_{A_i''},$$

where the first equality follows from (14); and the inequality from (11) and $A_i \setminus A_i'' \neq \emptyset$. Instead, if $A_i'' \supsetneq A_i$, then

$$\tau_{A_i} - V(A_i'', (A_i, \tau_{A_i}); R_i'') = w(A_i; R_i) - w(A_i''; R_i) = -\varepsilon_i |A_i'' \setminus A_i| > \tau_{A_i} - \tau_{A_i''},$$

where the first equality follows from (14); the second equality from $A_i'' \supsetneq A_i$; and the inequality from (12) and $A_i'' \supsetneq A_i$. In both cases, we obtain $\tau_{A_i} - V(A_i'', (A_i, \tau_{A_i}); R_i'') > \tau_{A_i} - \tau_{A_i''}$, or equivalently, $V(A_i'', (A_i, \tau_{A_i}); R_i'') < \tau_{A_i''}$. This implies that $(A_i, \tau_{A_i}) P_i'' (A_i'', \tau_{A_i''})$. Since $A_i'' \in \mathcal{M}' \setminus \{A_i\}$ was arbitrary, we conclude that R_i'' demands A_i at τ on \mathcal{M}' .

STEP 4. Finally, we show that R_i' demands A_i' at τ' on \mathcal{M}' . Let $A_i'' \in \mathcal{M}' \setminus \{A_i'\}$. We consider two cases.

CASE 1. $A_i'' \cap A_i' = \emptyset$.

It follows from $A_i \subsetneq A_i'$, $A_i \neq \emptyset$, and $A_i'' \cap A_i' = \emptyset$ that $A_i \setminus A_i'' \neq \emptyset$. Then,

$$\begin{aligned} \tau_{A_i'}' - V(A_i'', (A_i', \tau_{A_i'}'); R_i'') &= w(A_i'; R_i') - w(A_i''; R_i') \\ &= |A_i \setminus A_i''| K_i + |A_i' \setminus (A_i \cup A_i'')| L_i - |A_i'' \setminus A_i'| \varepsilon_i > \tau_{A_i'}' - \tau_{A_i''}', \end{aligned}$$

where the first equality follows from (15), and the inequality from (11) and $A_i \setminus A_i'' \neq \emptyset$.

CASE 2. $A_i'' \cap A_i' \neq \emptyset$.

By assumption, $A_i'' \subseteq A_i'$. Thus, by $A_i'' \neq A_i'$, we have $A_i'' \subsetneq A_i'$. Since $A_i \subsetneq A_i'$, and A_i and A_i' are adjacent in \mathcal{M}' , we have either $A_i'' = A_i$ or $A_i \not\subseteq A_i''$. If $A_i'' = A_i$, then

$$\tau_{A_i'}' - V(A_i'', (A_i', \tau_{A_i'}'); R_i'') = w(A_i'; R_i') - w(A_i; R_i') = |A_i' \setminus A_i| L_i > \tau_{A_i'}' - \tau_{A_i''}',$$

where the first equality follows from (15); the second equality uses $A_i \subsetneq A_i'$; and the inequality from (13). Instead, if $A_i \not\subseteq A_i''$, then $A_i \setminus A_i'' \neq \emptyset$, so we have

$$\begin{aligned} \tau_{A_i'}' - V(A_i'', (A_i', \tau_{A_i'}'); R_i'') &= w(A_i'; R_i') - w(A_i''; R_i') \\ &= |A_i \setminus A_i''| K_i + |A_i' \setminus (A_i \cup A_i'')| L_i - |A_i'' \setminus A_i'| \varepsilon_i > \tau_{A_i'}' - \tau_{A_i''}', \end{aligned}$$

where the first equality follows from (15), and the inequality uses (11) and $A_i \setminus A_i'' \neq \emptyset$.

In all cases, $\tau'_{A'_i} - V(A_i'', (A'_i, \tau'_{A'_i}); R_i'') > \tau'_{A'_i} - \tau''_{A'_i}$, or equivalently, $V(A_i'', (A'_i, \tau'_{A'_i}); R_i'') < \tau'_{A'_i}$. Therefore, $(A'_i, \tau'_{A'_i}) P_i'' (A_i'', \tau'_{A'_i})$. Since $A_i'' \in \mathcal{M}' \setminus \{A'_i\}$ was arbitrary, we conclude that R_i'' demands A'_i at τ' on \mathcal{M}' .

S.4.5 Lemma 8

We present the proof of Lemma 8. Figure 9 illustrates the lemma.

First, we present a sketch of the proof. Let $R_i \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ be such that the willingness to pay for the objects in A_i is sufficiently large, while that for the objects not in A_i is sufficiently small. Similarly, let $R'_i \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ be such that the willingness to pay for the objects in A'_i is sufficiently large compared with that for the objects in A_i under R_i , and that for the objects not in $M \setminus A'_i$ is sufficiently small. By assumption (iv), we can ensure that the indifference curve of R_i through (A_i, τ_{A_i}) lies entirely to the left of that of R'_i through (A_i, τ'_{A_i}) (see Figure 9). Then, by Remark 3, there exists an additive preference $R_i'' \in \mathcal{R}^{Add}$ whose indifference curve at (A_i, τ_{A_i}) is same as R_i and that at (A_i, τ'_{A_i}) is same as R'_i . Then, as in the proof of Lemma 7, R_i'' demands A_i at τ . Moreover, since the willingness to pay for the objects in A'_i for R'_i is sufficiently large compared with R_i , we can show by using assumptions (ii) and (iii) that, even after interpolating between R_i and R'_i , R_i'' demands A'_i at τ' .

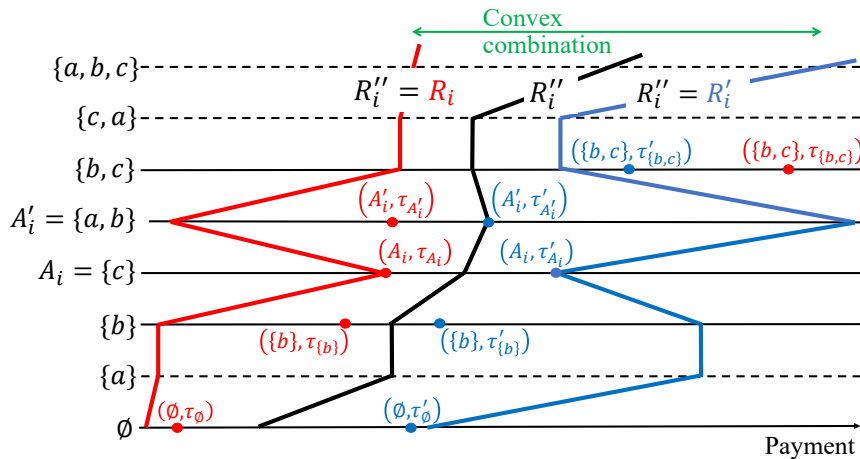


Figure 9: An illustration of Lemma 8.

We then proceed to the formal proof. The proof consists of four steps.

STEP 1. We begin by constructing two additive and quasi-linear preferences. Let $K_i, L_i, \varepsilon_i \in \mathbb{R}_{++}$ be a triple of positive constants, where K_i and L_i are sufficiently large and ε_i is sufficiently small, satisfying the following conditions:

- $L_i \geq K_i$.
- For each $A_i'' \in \mathcal{M}'$,

$$K_i > \varepsilon_i m + \max \left\{ \tau_{A_i} - \tau_{A_i'}, \tau_{A_i} - \tau_{A_i''}, \tau_{A_i'} - \tau_{A_i} \right\}. \quad (16)$$

- For each $A_i'' \in \mathcal{M}'$ with $A_i' \not\subseteq A_i''$,

$$\begin{aligned} & \frac{\tau_{A_i'} - \tau_{A_i} + K_i|A_i| - \varepsilon_i|A_i'|}{L_i|A_i'| - \varepsilon_i|A_i| + K_i|A_i| - \varepsilon_i|A_i'|} \\ & < \frac{\tau_{A_i''} - \tau_{A_i} + K_i|A_i \setminus A_i''| - \varepsilon_i|A_i'' \setminus A_i|}{L_i|A_i' \cap A_i''| + \varepsilon_i|A_i'' \setminus A_i'| - \varepsilon_i|A_i| + K_i|A_i \setminus A_i''| - \varepsilon_i|A_i'' \setminus A_i|}. \end{aligned} \quad (17)$$

- For each $A_i'' \in \mathcal{M}'$ with $A_i'' \supsetneq A_i$,

$$\varepsilon_i|A_i'' \setminus A_i| < \min \left\{ \tau_{A_i''} - \tau_{A_i}, \tau_{A_i'} - \tau_{A_i} \right\}. \quad (18)$$

- $\varepsilon_i|A_i| < \tau_{A_i'} - \tau_{A_i}$.

For each $A_i'' \in \mathcal{M}'$ with $A_i' \not\subseteq A_i''$, $A_i' \setminus A_i'' \neq \emptyset$, so $A_i' \cap A_i'' \subsetneq A_i'$. Thus, we can choose L_i satisfying (17). Furthermore, since τ and τ' are object monotonic on \mathcal{M}' and $\tau_{A_i} < \tau_{A_i}'$, we can choose $\varepsilon_i \in \mathbb{R}_{++}$ satisfying (18) and $\varepsilon_i|A_i| < \tau_{A_i'} - \tau_{A_i}$.

Let $R_i \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ be such that for each $a \in A_i$, $w(\{a\}; R_i) = K_i$, and for each $a \in M \setminus A_i$, $w(\{a\}; R_i) = \varepsilon_i$. Similarly, let $R_i' \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ be such that for each $a \in A_i'$, $w(\{a\}; R_i') = L_i$, and for each $a \in M \setminus A_i'$, $w(\{a\}; R_i') = \varepsilon_i$. Note that since $A_i \cap A_i' = \emptyset$, we have $w(A_i; R_i') = \varepsilon_i|A_i|$ and $w(A_i'; R_i) = L_i|A_i'|$.

STEP 2. Next, we construct an additive and non-quasi-linear preference based on the two

additive and quasi-linear preferences R_i and R'_i constructed in Step 1. For each $A''_i \in \mathcal{M}$,

$$\begin{aligned}
w(A''_i; R_i) - w(A_i; R_i) + \tau_{A_i} &= \varepsilon_i |A''_i \setminus A_i| - K_i |A_i \setminus A''_i| + \tau_{A_i} \\
&\leq L_i |A''_i \cap A_i| + \varepsilon_i |A''_i \setminus A_i| + \tau_{A_i} \\
&< L_i |A''_i \cap A_i| + \varepsilon_i |A''_i \setminus A_i| - \varepsilon_i |A_i| + \tau'_{A_i} \\
&= w(A''_i; R'_i) - w(A_i; R'_i) + \tau'_{A_i},
\end{aligned}$$

where the second inequality follows from $\varepsilon_i |A_i| < \tau'_{A_i} - \tau_{A_i}$. This implies that the indifference curve of R_i through (A_i, τ_{A_i}) lies entirely to the left of that of R'_i through (A_i, τ'_{A_i}) . Thus, by Remark 3, the following additive preference $R''_i \in \mathcal{R}^{Add}$ is well-defined: for each $A''_i \in \mathcal{M}$ and each $t_i \in \mathbb{R}$,

$$\begin{aligned}
&t_i - V(A''_i, (A_i, t_i); R''_i) \\
&= \begin{cases} w(A_i; R_i) - w(A''_i; R_i) & \text{if } t_i \leq \tau_{A_i}, \\ (1 - \alpha(t_i))(w(A_i; R_i) - w(A''_i; R_i)) + \alpha(t_i)(w(A_i; R'_i) - w(A''_i; R'_i)) & \text{if } \tau_{A_i} \leq t_i \leq \tau'_{A_i}, \\ w(A_i; R'_i) - w(A''_i; R'_i) & \text{if } t_i \geq \tau'_{A_i}, \end{cases}
\end{aligned}$$

where $\alpha : [\tau_{A_i}, \tau'_{A_i}] \rightarrow [0, 1]$ is a function such that for each $t_i \in [\tau_{A_i}, \tau'_{A_i}]$, $\alpha(t_i) = \frac{t_i - \tau_{A_i}}{\tau'_{A_i} - \tau_{A_i}}$. By Remark 3, we have that for each $A''_i \in \mathcal{M}$,

$$\tau_{A_i} - V(A''_i, (A_i, \tau_{A_i}); R''_i) = w(A_i; R_i) - w(A''_i; R_i), \quad (19)$$

$$\tau'_{A_i} - V(A''_i, (A_i, \tau'_{A_i}); R''_i) = w(A_i; R'_i) - w(A''_i; R'_i). \quad (20)$$

Using (16), (18), and (19), we can show that R''_i demands A_i at τ on \mathcal{M}' as in Step 3 of Lemma 7. In the next two steps, we will demonstrate that R''_i demands A'_i at τ' on \mathcal{M}' .

STEP 3. We now claim that for each $A''_i \in \mathcal{M}' \setminus \{A_i\}$, it holds that $(A_i, \tau_{A_i}) P''_i (A'_i, \tau'_{A'_i})$. This can be established in the same manner as in Step 3 of Lemma 7 using (16), (18), and (19). We therefore omit the details.

STEP 4. Finally, we show that R''_i demands A'_i at τ' on \mathcal{M}' .

We first establish that $(A'_i, \tau'_{A'_i}) P''_i (A_i, \tau'_{A_i})$. Observe that

$$\begin{aligned}\tau'_{A_i} - V(A'_i, (A_i, \tau'_{A_i}); R''_i) &= w(A_i; R'_i) - w(A'_i; R'_i) \\ &= \varepsilon_i |A_i| - L_i |A'_i| \\ &\leq \varepsilon_i |A_i| - K_i |A'_i| \\ &< \tau'_{A_i} - \tau'_{A'_i},\end{aligned}$$

where the first equality follows from (20); the first inequality from $L_i \geq K_i$; and the second inequality uses (16) and $A'_i \neq \emptyset$. Therefore, $V(A'_i, (A_i, \tau'_{A_i}); R''_i) > \tau'_{A'_i}$, which implies $(A'_i, \tau'_{A'_i}) P''_i (A_i, \tau'_{A_i})$.

Let $A''_i \in \mathcal{M}' \setminus \{A_i, A'_i\}$. We consider the following two cases.

CASE 1. $w(A_i; R'_i) - \tau'_{A_i} \geq w(A''_i; R'_i) - \tau'_{A''_i}$.

Then,

$$\tau'_{A_i} - V(A''_i, (A_i, \tau'_{A_i}); R''_i) = w(A_i; R'_i) - w(A''_i; R'_i) \geq \tau'_{A_i} - \tau'_{A''_i},$$

where the equality follows from (20), and the inequality uses the assumption that $w(A_i; R'_i) - \tau'_{A_i} \geq w(A''_i; R'_i) - \tau'_{A''_i}$. Thus, $V(A''_i, (A_i, \tau'_{A_i}); R''_i) \leq \tau'_{A''_i}$, so $(A_i, \tau'_{A_i}) R''_i (A''_i, \tau'_{A''_i})$. This, together with $(A'_i, \tau'_{A'_i}) P''_i (A_i, \tau'_{A_i})$, implies that $(A'_i, \tau'_{A'_i}) P''_i (A''_i, \tau'_{A''_i})$.

CASE 2. $w(A''_i; R'_i) - \tau'_{A''_i} \geq w(A_i; R'_i) - \tau'_{A_i}$.

Let $t_{A''_i} \equiv V(A_i, (A''_i, \tau'_{A''_i}); R''_i)$. Then, in a similar way to Case 1, we can show that $(A''_i, \tau'_{A''_i}) R''_i (A_i, \tau'_{A_i})$. Thus, $(A_i, t_{A''_i}) I''_i (A''_i, \tau'_{A''_i}) R''_i (A_i, \tau'_{A_i})$, which implies $t_{A''_i} \leq \tau'_{A_i}$. By Step 3, $(A_i, \tau_{A_i}) P''_i (A''_i, \tau'_{A''_i})$. Thus, $(A_i, \tau_{A_i}) P''_i (A''_i, \tau'_{A''_i}) I''_i (A_i, t_{A''_i})$, which implies $t_{A''_i} > \tau_{A_i}$. Thus, $t_{A''_i} \in [\tau_{A_i}, \tau'_{A_i}]$. Thus,

$$\begin{aligned}t_{A''_i} - \tau'_{A''_i} &= t_{A''_i} - V(A''_i, (A_i, t_{A''_i}); R''_i) \\ &= (1 - \alpha(t_{A''_i}))(w(A_i; R'_i) - w(A''_i; R'_i)) + \alpha(t_{A''_i})(w(A_i; R'_i) - w(A''_i; R'_i)),\end{aligned}$$

where the first equality follows from $\tau'_{A''_i} = V(A''_i, (A_i, t_{A''_i}); R''_i)$, which in turn follows from $(A_i, t_{A''_i}) I''_i (A''_i, \tau'_{A''_i})$; and the second equality follows from the definition of R''_i . Rearranging

this, we obtain

$$\begin{aligned}\alpha(t_{A_i''}) &= \frac{\tau_{A_i''}' - t_{A_i''} + (w(A_i; R_i) - w(A_i''; R_i))}{(w(A_i''; R_i') - w(A_i; R_i')) + (w(A_i; R_i) - w(A_i''; R_i))} \\ &= \frac{\tau_{A_i''}' - t_{A_i''} + K_i|A_i \setminus A_i''| - \varepsilon_i|A_i'' \setminus A_i|}{L_i|A_i'' \cap A_i'| + \varepsilon_i|A_i'' \setminus A_i'| - \varepsilon_i|A_i| + K_i|A_i \setminus A_i''| - \varepsilon_i|A_i'' \setminus A_i|}.\end{aligned}$$

Let $t_{A_i'} \equiv V(A_i, (A_i', \tau_{A_i}') ; R_i'')$. By $(A_i, t_{A_i'}) I_i'' (A_i', \tau_{A_i}') P_i'' (A_i, \tau_{A_i}')$, we have $t_{A_i'} < \tau_{A_i}'$. By Step 3, $(A_i, \tau_{A_i}) P_i'' (A_i', \tau_{A_i}') I_i'' (A_i, t_{A_i'})$, which implies $t_{A_i'} > \tau_{A_i}$. Thus, $t_{A_i'} \in [\tau_{A_i}, \tau_{A_i}']$. Thus, in the same way as above, we can show that

$$\begin{aligned}\alpha(t_{A_i'}) &= \frac{\tau_{A_i'}' - t_{A_i'} + (w(A_i; R_i) - w(A_i'; R_i))}{(w(A_i'; R_i') - w(A_i; R_i')) + (w(A_i; R_i) - w(A_i'; R_i))} \\ &= \frac{\tau_{A_i'}' - t_{A_i'} + K_i|A_i| - \varepsilon_i|A_i|}{L_i|A_i'| - \varepsilon_i|A_i| + K_i|A_i| - \varepsilon_i|A_i'|}.\end{aligned}$$

Since A_i' is maximal in \mathcal{M}' , $A_i' \not\subseteq A_i''$. Then,

$$\begin{aligned}\alpha(t_{A_i'}) &= \frac{\tau_{A_i'}' - t_{A_i'} + K_i|A_i| - \varepsilon_i|A_i|}{L_i|A_i'| - \varepsilon_i|A_i| + K_i|A_i| - \varepsilon_i|A_i'|} \\ &\leq \frac{\tau_{A_i'}' - \tau_{A_i} + K_i|A_i| - \varepsilon_i|A_i|}{L_i|A_i'| - \varepsilon_i|A_i| + K_i|A_i| - \varepsilon_i|A_i'|} \\ &< \frac{\tau_{A_i''}' - \tau_{A_i} + K_i|A_i \setminus A_i''| - \varepsilon_i|A_i'' \setminus A_i|}{L_i|A_i'' \cap A_i'| + \varepsilon_i|A_i'' \setminus A_i'| - \varepsilon_i|A_i| + K_i|A_i \setminus A_i''| - \varepsilon_i|A_i'' \setminus A_i|} \\ &\leq \frac{\tau_{A_i''}' - t_{A_i''} + K_i|A_i \setminus A_i''| - \varepsilon_i|A_i'' \setminus A_i|}{L_i|A_i'' \cap A_i'| + \varepsilon_i|A_i'' \setminus A_i'| - \varepsilon_i|A_i| + K_i|A_i \setminus A_i''| - \varepsilon_i|A_i'' \setminus A_i|} \\ &= \alpha(t_{A_i''}),\end{aligned}$$

where the first inequality follows from $t_{A_i'} \geq \tau_{A_i}$; the second inequality uses (17) and $A_i' \not\subseteq A_i''$; and the third inequality uses $t_{A_i''} \leq \tau_{A_i}'$. Since $\alpha(t_i) = \frac{t_i - \tau_{A_i}}{\tau_{A_i'} - \tau_{A_i}}$ is a strictly increasing function in t_i , $\alpha(t_{A_i'}) < \alpha(t_{A_i''})$ implies $t_{A_i'} < t_{A_i''}$. Thus, $V(A_i, (A_i', \tau_{A_i}') ; R_i'') = t_{A_i'} < t_{A_i''} = V(A_i, (A_i'', \tau_{A_i}'') ; R_i'')$, which implies that $(A_i', \tau_{A_i}') P_i'' (A_i'', \tau_{A_i}'')$.

Thus, for each $A_i'' \in \mathcal{M}' \setminus \{A_i'\}$, $(A_i', \tau_{A_i}') P_i'' (A_i'', \tau_{A_i}'')$, so R_i'' demands A_i' at τ' on \mathcal{M}' . This completes the proof.

S.4.6 Case 1 of Step 1 in Appendix A.2.1

In Case 1 of Step 1 in Appendix A.2.1 of the main text, we provided only an informal argument for deriving inequality (5), i.e., $\tau'_{A_i} > \tau_{A_i}$. This subsection presents the formal proof.

Recall that, in Case 1 of Step 1 in Appendix A.2.1, we showed the existence of a preference $R_i \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ such that $A_i(R_i, R_{-i}) = A_i$, and hence $A_i \in \mathcal{M}_i(R_{-i})$. Then, we have

$$\begin{aligned}
\tau_{A_i} &= t_i(R_{-i}; A_i) = & t_i(R) \\
&= \max_{A'' \in \mathcal{A}^f} \sum_{k \in N \setminus \{i\}} w(A''_k; R_k) - \sum_{k \in N \setminus \{i\}} w(A_k(R); R_k) \\
&\leq \max_{A'' \in \mathcal{A}^f} \sum_{k \in N \setminus \{i\}} w(A''_k; R_k) \\
&\leq w(\{b\}; R_j) + w(M \setminus \{b\}; R_0) \\
&= 2m,
\end{aligned} \tag{21}$$

where the first equality uses $A_i \in \mathcal{M}_i(R_{-i})$; the second equality follows from $A_i(R) = A_i$; the third equality uses that $R \in (\mathcal{R}^{Add} \cap \mathcal{R}^Q)^n$ and (4); and the second inequality follows from the fact that for each $c \in M \setminus \{b\}$, $w(\{b\}; R_j) \geq w(\{c\}; R_j) = w(\{c\}; R_0)$, so assigning object b to agent j maximizes the total willingness to pay among agents in $N \setminus \{i\}$.

Recall also that, in Case 1 of Step 1 in Appendix A.2.1, we claimed that (i) there exists $R'_i \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ such that $A_i(R'_{i,j}, R_{-i,j}) = A_i$, and so $A_i \in \mathcal{M}_i(R'_{i,j}, R_{-i,j})$; and (ii) $a \notin A_j(R'_{i,j}, R_{-i,j})$. Given $A \in \mathcal{A}^f$, $a \notin A_j(R'_{i,j}, R_{-i,j})$, and $b \in A_j$, *constrained efficiency* implies that $b \in A_j(R'_{i,j}, R_{-i,j})$, because—conditional on agent j not receiving object a (i.e., $a \notin A_j(R'_{i,j}, R_{-i,j})$)—assigning object b to agent j maximizes the total willingness to pay (see

Remark 2). Then,

$$\begin{aligned}
\tau'_{A_i} &= t_i(R'_j, R_{-i,j}; A_i) = t_i(R'_{i,j}, R_{-i,j}) \\
&= \max_{A'' \in \mathcal{A}^f} \left(w(A''_j; R'_j) + \sum_{k \in N \setminus \{i,j\}} w(A''_k; R_k) \right) \\
&\quad - \left(w(A_j(R'_{i,j}, R_{-i,j}); R'_j) + \sum_{k \in N \setminus \{i,j\}} w(A_k(R'_{i,j}, R_{-i,j}); R_k) \right) \\
&\geq w(A'_i; R_j) - \left(w(A_j(R'_{i,j}, R_{-i,j}); R'_j) + \sum_{k \in N \setminus \{i,j\}} w(A_k(R'_{i,j}, R_{-i,j}); R_k) \right) \\
&\geq w(\{a\}; R'_j) + w(\{b\}; R'_j) - \left(w(A_j(R'_{i,j}, R_{-i,j}); R'_j) + \sum_{k \in N \setminus \{i,j\}} w(A_k(R'_{i,j}, R_{-i,j}); R_k) \right) \\
&\geq w(\{a\}; R'_j) + w(\{b\}; R'_j) - \left(w(\{b\}; R'_j) + w(M \setminus \{b\}; R_0) \right) \\
&= w(\{a\}; R'_j) - w(M \setminus \{b\}; R_0) \\
&= 2m + 1,
\end{aligned} \tag{22}$$

where the first equality uses that $A_i \in \mathcal{M}_i(R'_j, R_{-i,j})$; the second equality follows from $A_i(R'_{i,j}, R_{-i,j}) = A_i$; the third equality uses that $(R'_{i,j}, R_{-i,j}) \in (\mathcal{R}^{Add} \cap \mathcal{R}^Q)^n$ and (4); the first inequality uses $A'_i \in \mathcal{M}_j$; the second inequality follows from $a, b \in A'_i$ and additivity of R'_j ; and the third inequality follows from $b \in A_j(R'_{i,j}, R_{-i,j})$, $a \notin A_j(R'_{i,j}, R_{-i,j})$, and from the fact that for each $c \in M \setminus \{a, b\}$, $w(\{b\}; R'_j) \geq w(\{c\}; R'_j) = w(\{c\}; R_0)$, so that assigning object b to agent j maximizes the total willingness to pay among agents in $N \setminus \{i\}$.

Combining (21) and (22), we obtain inequality (5): $\tau'_{A_i} \geq 2m + 1 > 2m \geq \tau_{A_i}$.

S.4.7 footnote 21

We present the proofs of the statements in footnote 21.

First, we show that for each $A''_i \in \mathcal{M}_i \setminus \mathcal{M}_i(R_{-i})$, $L_{A''_i} < U_{A''_i}$. Let $A''_i \in \mathcal{M}_i \setminus \mathcal{M}_i(R_{-i})$. If $L_{A''_i} = -\infty$ or $U_{A''_i} = \infty$, then the claim is immediate. Suppose $L_{A''_i} > -\infty$ and $U_{A''_i} < \infty$. Since $L_{A''_i} > -\infty$, there exists $\tilde{A}_i \in \mathcal{M}_i$ such that $\tilde{A}_i \subsetneq A''_i$ and $L_{A''_i} = \tau_{\tilde{A}_i}$. Similarly, since $U_{A''_i} < \infty$, there exists $\bar{A}_i \in \mathcal{M}_i(R_{-i})$ such that $A''_i \subsetneq \bar{A}_i$ and $U_{A''_i} = \tau_{\bar{A}_i}$. Then, $\tilde{A}_i \subsetneq A''_i \subsetneq \bar{A}_i$. If $\tilde{A}_i \in \mathcal{M}_i(R_{-i})$, then by $\bar{A}_i \in \mathcal{M}_i(R_{-i})$ and $\tilde{A}_i \subsetneq \bar{A}_i$, object mono-

tonicity of τ on $\mathcal{M}_i(R_{-i})$ implies

$$L_{A_i''} = \tau_{\tilde{A}_i} < \tau_{\bar{A}_i} = U_{A_i''}.$$

If $\tilde{A}_i \in \mathcal{M}_i \setminus \mathcal{M}_i(R_{-i})$, then by $\tilde{A}_i \subsetneq \bar{A}_i$ (and so \tilde{A}_i contains a smaller number of objects than \bar{A}_i) and the definition of the algorithm, $\tau_{\tilde{A}_i} \in (L_{\tilde{A}_i}, U_{\tilde{A}_i})$ has already been chosen. Then, since $\bar{A}_i \in \mathcal{M}_i(R_{-i})$ and $\tilde{A}_i \subsetneq \bar{A}_i$, we have

$$L_{A_i''} = \tau_{\tilde{A}_i} < U_{\bar{A}_i} = \min_{\hat{A}_i \in \mathcal{M}_i(R_{-i}): \tilde{A}_i \subsetneq \hat{A}_i} \tau_{\hat{A}_i} \leq \tau_{\bar{A}_i} = U_{A_i''}.$$

Next, we show that τ is object monotonic on \mathcal{M}_i . Let $\tilde{A}_i, \bar{A}_i \in \mathcal{M}_i$ satisfy $\tilde{A}_i \subsetneq \bar{A}_i$. If $\tilde{A}_i, \bar{A}_i \in \mathcal{M}_i(R_{-i})$, then since τ is object monotonic on $\mathcal{M}_i(R_{-i})$, we have

$$\tau_{\tilde{A}_i} < \tau_{\bar{A}_i}.$$

If $\tilde{A}_i \in \mathcal{M}_i \setminus \mathcal{M}_i(R_{-i})$ and $\bar{A}_i \in \mathcal{M}_i(R_{-i})$, then

$$\tau_{\tilde{A}_i} < U_{\bar{A}_i} = \min_{\hat{A}_i \in \mathcal{M}_i(R_{-i}): \tilde{A}_i \subsetneq \hat{A}_i} \tau_{\hat{A}_i} \leq \tau_{\bar{A}_i},$$

where the first inequality follows from $\tilde{A}_i \in \mathcal{M}_i \setminus \mathcal{M}_i(R_{-i})$ and the definition of the algorithm, and the second inequality from $\bar{A}_i \in \mathcal{M}_i(R_{-i})$ and $\tilde{A}_i \subsetneq \bar{A}_i$. Finally, if $\bar{A}_i \in \mathcal{M}_i \setminus \mathcal{M}_i(R_{-i})$, then

$$\tau_{\bar{A}_i} \leq \max_{\hat{A}_i \in \mathcal{M}_i: \tilde{A}_i \subsetneq \hat{A}_i} \tau_{\hat{A}_i} = L_{\bar{A}_i} < \tau_{\bar{A}_i},$$

where the first inequality follows from $\tilde{A}_i \in \mathcal{M}_i$ and $\tilde{A}_i \subsetneq \bar{A}_i$, and the second inequality from $\bar{A}_i \in \mathcal{M}_i \setminus \mathcal{M}_i(R_{-i})$ and the definition of the algorithm.

S.4.8 Case 2 of Step 1 in Appendix A.2.1

We present the proof for Case 2 of Step 1 in Appendix A.2.1. By $A_i \cap A_i' \neq \emptyset$, we may assume without loss of generality that $A_i'' = A_i$. Since $A_i \cap A_i' \neq \emptyset$, we can choose some $a \in A_i \cap A_i'$. Since $A_i \not\subseteq A_i'$, we also have $A_i \setminus A_i' \neq \emptyset$, so we can choose some $b \in A_i \setminus A_i'$. Note that $a \neq b$. If there exists $A_i'' \in \mathcal{M}_i$ such that $A_i'' \supsetneq A_i$, then $a \in A_i' \cap A_i''$ and $b \in A_i'' \setminus A_i'$. Therefore, without loss of generality, we may assume that A_i is maximal in \mathcal{M}_i .

Let $j \in N \setminus \{i\}$. Since A_i' is maximal in \mathcal{M}_i , $A_i' \in \mathcal{M}_j$, and it is also maximal in \mathcal{M}_j

(see Lemma 5). Since A'_i is maximal in \mathcal{M}_j and $b \notin A'_i$, there exists $A'' \in \mathcal{A}^f$ such that $A''_j = A'_i$ and $b \in A''_i$ (see Lemma 6). Since $A''_i \cap A'_j = \emptyset$ and $A''_j = A'_i$, we have $A''_i \cap A'_i = \emptyset$. Therefore, as $a \in A'_i$, we have $a \notin A''_i$.

In summary, we obtain

$$a, b \in A_i, \quad a \in A'_i, \quad b \notin A'_i, \quad b \in A''_i, \quad a \notin A''_i.$$

Figure 10 illustrates the packages A_i , A'_i , and A''_i .

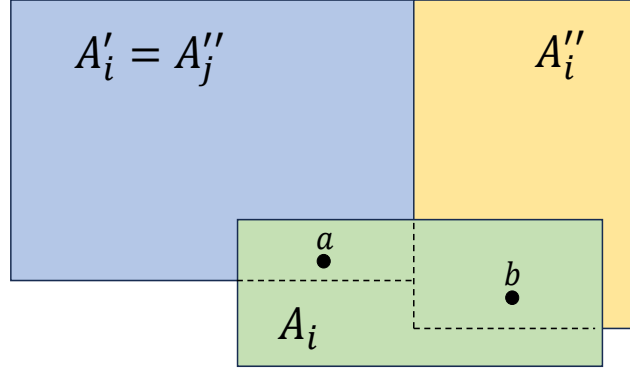


Figure 10: An illustration of the packages in Case 2.

Let $R_j \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ be such that $w(\{a\}; R_j) = m+1$, and for each $c \in M \setminus \{a\}$, $w(\{c\}; R_j) = 1$. Let $R'_j \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ be such that $w(\{a\}; R'_j) = 4m+1$, $w(\{b\}; R'_j) = 3m$, and for each $c \in M \setminus \{a, b\}$, $w(\{c\}; R'_j) = w(\{c\}; R_0)$. For each $k \in N \setminus \{i, j\}$, let $R_k = R_0$.

Let $\tau, \tau' \in \mathbb{R}^{|\mathcal{M}_i|}$ be two object monotonic payment vectors on \mathcal{M}_i such that for each $A'''_i \in \mathcal{M}_i(R_{-i})$, we have $\tau_{A'''_i} = t_i(R_{-i}; A'''_i)$, and for each $A'''_i \in \mathcal{M}_i(R'_j, R_{-i,j})$, we have $\tau'_{A'''_i} = t_i(R'_j, R_{-i,j}; A'''_i)$. It follows from *strategy-proofness* and object monotonicity of preferences that τ, τ' are object monotonic on $\mathcal{M}_i(R_{-i})$ and $\mathcal{M}_i(R'_j, R_{-i,j})$. Thus, we can choose such τ, τ' satisfying object monotonicity on \mathcal{M}_i .³⁰

Recall that $A'' \in \mathcal{A}^f$ and $a \in A''_j$. Thus, since $w(\{a\}; R_j) \geq w(\{a\}; R_k)$ and $w(\{c\}; R_j) = w(\{c\}; R_k)$ for each $k \in N \setminus \{i, j\}$ and each $c \in M \setminus (A''_i \cup \{a\})$, Lemma 1 implies that there exists $R_i \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ such that $A_i(R_i, R_{-i}) = A''_i$. Thus, $A''_i \in \mathcal{M}_i(R_{-i})$. This corresponds

³⁰For a detailed discussion, see footnote 21 in the main text and Section S.4.7 in this supplementary material.

to Claim 1 in the outline of the proof presented in Section 3.4.3. Then,

$$\begin{aligned}
\tau_{A_i''} &= t_i(R_{-i}; A_i'') = t_i(R) \\
&= \max_{A''' \in \mathcal{A}^f} \sum_{k \in N \setminus \{i\}} w(A_k'''; R_k) - \sum_{k \in N \setminus \{i\}} w(A_k(R); R_k) \\
&\leq \max_{A''' \in \mathcal{A}^f} \sum_{k \in N \setminus \{i\}} w(A_k'''; R_k) \\
&\leq w(\{a\}; R_j) + w(M \setminus \{a\}; R_0) \\
&= 2m,
\end{aligned} \tag{23}$$

where the first equality follows from $A_i'' \in \mathcal{M}_i(R_{-i})$; the second equality from $A_i(R) = A_i''$; the third equality uses $R \in (\mathcal{R}^{Add} \cap \mathcal{R}^Q)^n$ and (4); and the second inequality follows from the fact that, for each $c \in M \setminus \{a\}$, $w(\{a\}; R_j) \geq w(\{c\}; R_j) = w(\{c\}; R_0)$, so assigning object a to agent j maximizes the total willingness to pay among agents in $N \setminus \{i\}$ (see Remark 1).

By the same argument as above, Lemma 1 implies that there exists $R'_i \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ such that $A_i(R'_i, R'_j, R_{-i,j}) = A_i''$.³¹ Thus, $A_i'' \in \mathcal{M}_i(R'_j, R_{-i,j})$. Since A'_i is maximal in \mathcal{M}_i , $A'_i \in \mathcal{M}_j$ (see Lemma 5). By $b \in A'_i$ and $A_i(R'_{i,j}, R_{-i,j}) = A_i''$, we have $b \notin A_j(R'_{i,j}, R_{-i,j})$. Thus, given $A'' \in \mathcal{A}^f$ and $a \in A_j''$, it follows from *constrained efficiency* that $a \in A_j(R'_{i,j}, R_{-i,j})$, because—conditional on agent j not receiving object b (i.e., $b \notin A_j(R'_{i,j}, R_{-i,j})$)—assigning

³¹Note that this also corresponds to Claim 1 in the outline of the proof presented in Section 3.4.3.

object a to agent j maximizes the total willingness to pay (see Remark 2). Then,

$$\begin{aligned}
\tau'_{A''_i} &= t_i(R'_j, R_{-i,j}; A''_i) = t_i(R'_{i,j}, R_{-i,j}) \\
&= \max_{A''' \in \mathcal{A}^f} \left(w(A'''_j; R'_j) + \sum_{k \in N \setminus \{i,j\}} w(A'''_k; R_k) \right) \\
&\quad - \left(w(A_j(R'_{i,j}, R_{-i,j}); R'_j) + \sum_{k \in N \setminus \{i,j\}} w(A_k(R'_{i,j}, R_{-i,j}); R_k) \right) \\
&\geq w(A_i; R'_j) - \left(w(A_j(R'_{i,j}, R_{-i,j}); R'_j) + \sum_{k \in N \setminus \{i,j\}} w(A_k(R'_{i,j}, R_{-i,j}); R_k) \right) \\
&\geq w(\{a\}; R'_j) + w(\{b\}; R'_j) - \left(w(A_j(R'_{i,j}, R_{-i,j}); R'_j) + \sum_{k \in N \setminus \{i,j\}} w(A_k(R'_{i,j}, R_{-i,j}); R_k) \right) \\
&\geq w(\{a\}; R'_j) + w(\{b\}; R'_j) - \left(w(\{a\}; R'_j) + w(M \setminus \{a\}; R_0) \right) \\
&= w(\{b\}; R'_j) - w(M \setminus \{a\}; R_0) \\
&= 2m + 1,
\end{aligned} \tag{24}$$

where the first equality follows from $A''_i \in \mathcal{M}_i(R'_j, R_{-i,j})$; the second equality follows from $A_i(R'_{i,j}, R_{-i,j}) = A''_i$; the third equality uses $(R'_{i,j}, R_{-i,j}) \in (\mathcal{R}^{Add} \cap \mathcal{R}^Q)^n$ and (4); the first inequality follows from $A_i \in \mathcal{M}_j$; the second inequality from $a, b \in A_i$ and additivity of R'_j ; and the third inequality from the facts that $a \in A_j(R'_{i,j}, R_{-i,j})$, $b \notin A_j(R'_{i,j}, R_{-i,j})$, and for each $c \in M \setminus \{a, b\}$, $w(\{b\}; R'_j) \geq w(\{c\}; R'_j) = w(\{c\}; R_0)$, so that assigning object a to agent j maximizes the total willingness to pay among agents in $N \setminus \{i\}$.

By (23) and (24),

$$\tau'_{A''_i} \geq 2m + 1 > 2m \geq \tau_{A''_i}.$$

This inequality corresponds to inequality (1) in the outline of the proof presented in Section 3.4.3. Recall that τ and τ' are both object monotonic on \mathcal{M}_i . Thus, since $A'_i \cap A''_i = \emptyset$, $A'_i \neq \emptyset$, and A'_i is maximal in \mathcal{M}_i , we can invoke Lemma 8 to conclude that there exists $R''_i \in \mathcal{R}^{Add}$ that demands A''_i at τ and A'_i at τ' on \mathcal{M}_i . Note that this corresponds to Claim 3 in the proof outline provided in Section 3.4.3.

Since $A''_i \in \mathcal{M}_i(R_{-i}) \subseteq \mathcal{M}_i$ and R''_i demands A''_i at τ on \mathcal{M}_i , for each $A'''_i \in \mathcal{M}_i(R_{-i}) \setminus \{A''_i\}$, $z_i(R_{-i}; A''_i) = (A''_i, \tau_{A''_i}) P''_i (A'''_i, \tau_{A'''_i}) = z_i(R_{-i}; A'''_i)$. Therefore, by *strategy-proofness*, $A_i(R''_i, R_{-i}) = A''_i$ (see Remark 1). Since $b \in A''_i = A_i(R''_i, R_{-i})$, it follows that $b \notin A_j(R''_i, R_{-i})$. On the other hand, since $A'' \in \mathcal{A}^f$ and $a \in A''_j$, *constrained efficiency* implies that $a \in A_j(R''_i, R_{-i})$,

as, conditional on $A_i(R''_i, R_{-i}) = A''_i \not\supseteq a$, assigning object a to agent j maximizes the total willingness to pay (see Remark 2).

Recall that $A'_i \neq \emptyset$ is maximal in \mathcal{M}_i . Thus, since $b \notin A'_i$, there exists $A''' \in \mathcal{A}^f$ such that $A''' = A'_i$ and $b \in A'''_j$ (see Lemma 6). Moreover, since $w(\{b\}; R'_j) \geq w(\{b\}; R_k)$ and $w(\{c\}; R'_j) = w(\{c\}; R_k)$ for each $k \in N \setminus \{i, j\}$ and each $c \in M \setminus (A'_i \cup \{b\})$, Lemma 1 implies that $A'_i \in \mathcal{M}_i(R'_j, R_{-i,j})$. Since $\mathcal{M}_i(R'_j, R_{-i,j}) \subseteq \mathcal{M}_i$ and R''_i demands A'_i at τ' on \mathcal{M}_i , it follows that for each $\tilde{A}_i \in \mathcal{M}_i(R'_j, R_{-i,j}) \setminus \{A'_i\}$, $z_i(R'_j, R_{-i,j}; A'_i) = (A'_i, \tau'_{A'_i}) P''_i(\tilde{A}_i, \tau'_{\tilde{A}_i}) = z_i(R'_j, R_{-i,j}; \tilde{A}_i)$. Hence, by *strategy-proofness*, $A_i(R''_i, R'_j, R_{-i,j}) = A'_i$ (see Remark 1). Since $a \in A'_i = A_i(R''_i, R'_j, R_{-i,j})$, it follows that $a \notin A_j(R''_i, R'_j, R_{-i,j})$. Furthermore, since $A''' \in \mathcal{A}^f$ and $b \in A'''_j$, *constrained efficiency* implies that $b \in A_j(R''_i, R'_j, R_{-i,j})$, as, conditional on $a \notin A_j(R''_i, R'_j, R_{-i,j})$ and $A_i(R''_i, R'_j, R_{-i,j}) = A'_i \not\supseteq b$, assigning object b to agent j maximizes the total willingness to pay (see Remark 2).

To sum up, we have

$$a \in A_j(R''_i, R_{-i}), \quad b \notin A_j(R''_i, R_{-i}), \quad a \notin A_j(R''_i, R'_j, R_{-i,j}), \quad b \in A_j(R''_i, R'_j, R_{-i,j}). \quad (25)$$

This corresponds to Claim 4 in the outline of the proof presented in Section 3.4.3. Then,

$$\begin{aligned} & w(A_j(R''_i, R_{-i}); R'_j) - w(A_j(R''_i, R'_j, R_{-i,j}); R'_j) \\ &= (|A_j(R''_i, R_{-i}) \setminus \{a\}| + (4m + 1)) - (|A_j(R''_i, R'_j, R_{-i,j}) \setminus \{b\}| + 3m) \\ &> (|A_j(R''_i, R_{-i}) \setminus \{a\}| + (m + 1)) - (|A_j(R''_i, R'_j, R_{-i,j}) \setminus \{b\}| + 1) \\ &= w(A_j(R''_i, R_{-i}); R_j) - w(A_j(R''_i, R'_j, R_{-i,j}); R_j), \end{aligned}$$

where the first and the second equalities follow from (25) and additivity of R_j, R'_j . This inequality corresponds to inequality (2) in the outline of the proof presented in Section 3.4.3. However, this contradicts *monotonicity* of f (see Fact 2).

S.4.9 Step 2 in Appendix A.2.1

This subsection presents the formal proof of Step 2 in Appendix A.2.1. We show that for each $i, j \in N$, $\mathcal{M}_i = \mathcal{M}_j$. Let $i, j \in N$ be two distinct agents. We show that $\mathcal{M}_i \subseteq \mathcal{M}_j$; the reverse inclusion follows symmetrically. Let $A_i \in \mathcal{M}_i$. If $A_i \neq \emptyset$, then by Step 1, A_i is maximal in \mathcal{M}_i . Hence, $A_i \in \mathcal{M}_j$ (see Lemma 5). Now suppose $A_i = \emptyset$. To show that $A_i \in \mathcal{M}_j$, suppose for contradiction that $A_i \notin \mathcal{M}_j$. For each $k \in N$, let $R_k \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$

be such that for each $a \in M$, $w(\{a\}; R_k) = 1$. Note that $R_i = R_j$.

By $A_i \in \mathcal{M}_i$, there exists $A_{-i} \in \mathcal{M}^{n-1}$ such that $A \equiv (A_i, A_{-i}) \in \mathcal{A}^f$. Given that $A_i = \emptyset$ and using no wastage of \mathcal{A}^f (which follows from *no wastage* of f), we have $\bigcup_{k \in N \setminus \{i\}} A_k = M$. Therefore,

$$\max_{A' \in \mathcal{A}^f} \sum_{k \in N \setminus \{i\}} w(A'_k; R_k) \geq \sum_{k \in N \setminus \{i\}} w(A_k; R_k) = m, \quad (26)$$

where the inequality uses $A \in \mathcal{A}^f$.

Let $A' \in \mathcal{A}^f$. Since $A_i = \emptyset \notin \mathcal{M}_j$, we have $A'_j \neq \emptyset$. By no wastage of \mathcal{A}^f , it follows that $\bigcup_{k \in N \setminus \{j\}} A'_k = M \setminus A'_j$. Therefore,

$$\sum_{k \in N \setminus \{j\}} w(A'_k; R_k) = m - |A'_j| < m,$$

where the inequality follows from $A'_j \neq \emptyset$. Since $A' \in \mathcal{A}^f$ was arbitrary, we obtain

$$\max_{A' \in \mathcal{A}^f} \sum_{k \in N \setminus \{j\}} w(A'_k; R_k) < m. \quad (27)$$

By (26) and (27),

$$\max_{A' \in \mathcal{A}^f} \sum_{k \in N \setminus \{i\}} w(A'_k; R_k) \geq m > \max_{A' \in \mathcal{A}^f} \sum_{k \in N \setminus \{j\}} w(A'_k; R_k),$$

which contradicts Lemma 3.

S.4.10 Step 1 in Appendix A.2.2

We provide the formal proof of Step 1 in Appendix A.2.2. We show that for each $A \in \mathcal{A}^f$ and each transposition π on N such that for some $i, j \in N$, $\pi(i) = j$, $\pi(j) = i$, and $A_j = \emptyset$, we have $A^\pi \in \mathcal{A}^f$. The argument in Step 1 corresponds to Case 1 in the outline presented in Section 3.4.5. Let $A \in \mathcal{A}^f$. Let π be a transposition on N such that for some distinct $i, j \in N$, $\pi(i) = j$, $\pi(j) = i$, and $A_j = \emptyset$. If $A_i = \emptyset$, then $A^\pi = A \in \mathcal{A}^f$. Suppose that $A_i \neq \emptyset$. To show $A^\pi \in \mathcal{A}^f$, suppose for contradiction that $A^\pi \notin \mathcal{A}^f$.

For each $k \in \{i, j\}$, let $R_k \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ be such that for each $a \in A_i$, $w(\{a\}; R_k) = m+1$, and for each $a \in M \setminus A_i$, $w(\{a\}; R_k) = 1$. Note that $R_i = R_j$. For each $k \in N \setminus \{i, j\}$, let $R_k \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ be such that for each $a \in A_k$, $w(\{a\}; R_k) = m+1$, and for each $a \in M \setminus A_k$,

$w(\{a\}; R_k) = 1$. By $A \in \mathcal{A}^f$,

$$\max_{A' \in \mathcal{A}^f} \sum_{k \in N \setminus \{j\}} w(A'_k; R_k) \geq \sum_{k \in N \setminus \{j\}} w(A_k; R_k) = (m+1) \sum_{k \in N \setminus \{j\}} |A_k|. \quad (28)$$

Let $A' \in \mathcal{A}^f$. We claim $A'_j \not\supseteq A_i$, or there exists $k \in N \setminus \{i, j\}$ such that $A'_k \not\supseteq A_k$. For contradiction, suppose that $A'_j \supseteq A_i$, and for each $k \in N \setminus \{i, j\}$, $A'_k \supseteq A_k$. Then, we have $\bigcup_{k \in N \setminus \{i\}} A'_k \supseteq \bigcup_{k \in N \setminus \{j\}} A_k$. By no wastage of \mathcal{A}^f (which follows from *no wastage* of f), $A \in \mathcal{A}^f$ implies that $\bigcup_{k \in N \setminus \{j\}} A_k = M \setminus A_j = M$, where the last equality follows from $A_j = \emptyset$. Also, by no wastage of \mathcal{A}^f and $A' \in \mathcal{A}^f$, $\bigcup_{k \in N \setminus \{i\}} A'_k = M \setminus A'_i$. Thus, $M \setminus A'_i \supseteq M$, and hence $A'_i = \emptyset = A_j$. Since \mathcal{A}^f is a bundling unit-demand constraint (see Appendix A.2.1) and $A_i \neq \emptyset$, A_i is maximal in \mathcal{M}_i . Thus, since $\mathcal{M}_i = \mathcal{M}_j$ (see Step 2 of Appendix A.2.1) A_i is also maximal in \mathcal{M}_j . Thus, by $A'_j \supseteq A_i$, $A'_j = A_i$. Let $N^+(A) \equiv \{k \in N : A_k \neq \emptyset\}$. Since \mathcal{A}^f is a bundling unit-demand constraint, for each $k \in N^+(A) \setminus \{i, j\}$ such that $A_k \neq \emptyset$, A_k is maximal in \mathcal{M}_k , so $A'_k \supseteq A_k$ implies $A'_k = A_k$. Thus,

$$A'_j \cup \left(\bigcup_{k \in N^+(A) \setminus \{i, j\}} A'_k \right) = A_i \cup \left(\bigcup_{k \in N^+(A) \setminus \{i, j\}} A_k \right) = \bigcup_{k \in N} A_k = M,$$

where the second equality follows from $A_j = \emptyset$, and the last one from no wastage of \mathcal{A}^f . This implies that for each $k \in N \setminus (\{i, j\} \cup N^+(A))$, $A'_k = \emptyset = A_k$. Therefore, we conclude that $A' = A^\pi$. However, this contradicts that $A' \in \mathcal{A}^f$ and $A^\pi \notin \mathcal{A}^f$.

Thus, we have $A'_j \not\supseteq A_i$, or there exists $k \in N \setminus \{i, j\}$ such that $A'_k \not\supseteq A_k$. Thus, we have $A'_j \cap A_i \subsetneq A_i$, or there exists $k \in N \setminus \{i, j\}$ such that $A'_k \cap A_k \subsetneq A_k$. Thus,

$$\begin{aligned} \sum_{k \in N \setminus \{i\}} w(A'_k; R_k) &= (m+1) \left(|A'_j \cap A_i| + \sum_{k \in N \setminus \{i, j\}} |A'_k \cap A_k| \right) + |A'_j \setminus A_i| + \sum_{k \in N \setminus \{i, j\}} |A'_k \setminus A_k| \\ &\leq (m+1) \left(|A'_j \cap A_i| + \sum_{k \in N \setminus \{i, j\}} |A'_k \cap A_k| \right) + m \\ &< (m+1) \sum_{k \in N \setminus \{j\}} |A_k|, \end{aligned}$$

where the second inequality uses the fact that $A'_j \cap A_i \subsetneq A_i$, or there exists $k \in N \setminus \{i, j\}$ such that $A'_k \cap A_k \subsetneq A_k$ (and hence $|A'_j \cap A_i| + \sum_{k \in N \setminus \{i, j\}} |A'_k \cap A_k| < \sum_{k \in N \setminus \{j\}} |A_k|$). Since

$A' \in \mathcal{A}^f$ was arbitrary, we have

$$\max_{A'' \in \mathcal{A}^f} \sum_{k \in N \setminus \{i\}} w(A''_k; R_k) < (m+1) \sum_{k \in N \setminus \{j\}} |A_k|. \quad (29)$$

By (28) and (29),

$$\max_{A'' \in \mathcal{A}^f} \sum_{k \in N \setminus \{j\}} w(A''_k; R_k) \geq (m+1) \sum_{k \in N \setminus \{j\}} |A_k| > \max_{A'' \in \mathcal{A}^f} \sum_{k \in N \setminus \{i\}} w(A''_k; R_k),$$

which contradicts Lemma 3.

S.4.11 Claim 5

In this subsection, we provide the proof of Claim 5. For each $R \in \mathcal{R}^n$ such that $f_i(R) = (M, V(M, \mathbf{0}; R_0))$ for some $i \in N$, we have $f(R) \neq g(R)$. Note that, by richness of \mathcal{R} , there exists such $R \in \mathcal{R}^n$. Thus, f is different from any bundling unit-demand MPW rule.

We show that f satisfies the properties except for *constrained efficiency*. Since g satisfies *no wastage*, *equal treatment of equals*, *anonymity*, *no envy*, *individual rationality*, and *no subsidy*, f inherits these properties. Thus, it suffices to show that f satisfies *strategy-proofness*.³² Let $R \in \mathcal{R}^4$. We show that agent 1 cannot benefit from misrepresenting his preferences; the same argument applies to any $i \neq 1$. There are three cases.

CASE 1. $|\{i \in N \setminus \{1\} : R_i = R_0\}| \leq 1$.

In this case, for each $R'_1 \in \mathcal{R}$, we have $|\{i \in N : R'_i = R_0\}| \leq 2$, where $R'_i = R_i$ for each $i \in N \setminus \{1\}$. Hence, by the definition of the rule f , it follows that $f_1(R'_1, R_{-1}) = g_1(R'_1, R_{-1})$

³²If $n = 3$ and the domain includes non-additive preferences, the same type of rule f as in Example 5 is not *strategy-proof*. In the case $n = 3$, the rule is defined as follows. Let $R_0 \in \mathcal{R}$.

(i) If $|\{i \in N : R_i = R_0\}| = 2$, and for the unique $i \in N$ with $R_i \neq R_0$, it holds that $(M, V(M, \mathbf{0}; R_0)) \succ_i g_i(R)$, then define $f_i(R) = (M, V(M, \mathbf{0}; R_0))$ and $f_j(R) = \mathbf{0}$ for each $j \in N \setminus \{i\}$.

(ii) If $|\{i \in N : R_i = R_0\}| \neq 2$, or if $|\{i \in N : R_i = R_0\}| = 2$ but the above condition $(M, V(M, \mathbf{0}; R_0)) \succ_i g_i(R)$ fails, then let $f(R) = g(R)$.

This rule f is not *strategy-proof*. To see this, let $R_0 \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ be such that $w(\{a\}; R_0) = w(\{b\}; R_0) = 2$ and $w(M; R_0) = 4$. Let $R_1 \in \mathcal{R} \cap \mathcal{R}^Q$ be such that $w(\{a\}; R_1) = w(\{b\}; R_1) = 1$ and $w(M; R_1) = 5$, and let $R_2 = R_3 = R_0$. Note that agent 1 has a non-additive preference R_1 .

Then, $g_2(R) = (\{a\}, 1)$ and $f_2(R) = \mathbf{0}$. Let $R'_2 \in \mathcal{R}^{Add} \cap \mathcal{R}^Q$ be such that $w(\{a\}; R'_2) = w(\{b\}; R'_2) = 3$ and $w(M; R'_2) = 6$. Then, $f_2(R'_2, R_{-2}) = g_2(R'_2, R_{-2}) = (\{a\}, 1)$. Hence, $f(R'_2, R_{-2}) \succ_2 f(R)$, and f fails *strategy-proofness*.

In this example, the non-additivity of R_1 is crucial for agent 2 to benefit from misreporting R'_2 . Even when $n = 3$, if the domain includes only additive preferences, the same type of rule f as in Example 5 is *strategy-proof*. Therefore, *constrained efficiency* is indispensable for the conclusion of Theorem.

for each $R'_1 \in \mathcal{R}$. Since g is *strategy-proof* (see Fact 1 (i)), agent 1 cannot benefit from misrepresenting his preferences.

CASE 2. $|\{i \in N \setminus \{1\} : R_i = R_0\}| = 2$.

In this case, for each $R'_1 \in \mathcal{R}$, we have either $f_1(R'_1, R_{-1}) = g_1(R'_1, R_{-1})$ or $f_1(R'_1, R_{-1}) = \mathbf{0}$. We claim that $f_1(R) \preceq g_1(R)$. Note that either (i) $f_1(R) = g_1(R)$ or (ii) $f_1(R) \neq g_1(R)$ and $f_1(R) = \mathbf{0}$. In case (i), the claim holds trivially. In case (ii), since exactly two agents other than agent 1 have preference R_0 , the rule assigns $f_1(R) = \mathbf{0}$ only when $R_1 = R_0$. In this case, we can compute $p^{\min}(R, \mathcal{B}) \equiv (p_a^{\min}(R, \mathcal{B}), p_b^{\min}(R, \mathcal{B})) = (V(\{a\}, \mathbf{0}; R_0), V(\{b\}, \mathbf{0}; R_0))$.³³ Thus, since $R_1 = R_0$, we have $f_1(R) = \mathbf{0} \preceq g_1(R)$.

Therefore, we have $f_1(R) \preceq g_1(R)$. Given that $|\{i \in N \setminus \{1\} : R_i = R_0\}| = 2$, we have, for each $R'_1 \in \mathcal{R}$, either $f_1(R'_1, R_{-1}) = g_1(R'_1, R_{-1})$ or $f_1(R'_1, R_{-1}) = \mathbf{0}$. By *strategy-proofness* of g (see Fact 1 (i)), we have $f_1(R) \preceq g_1(R) \preceq g_1(R'_1, R_{-1})$ for each $R'_1 \in \mathcal{R}$, and by *individual rationality* of g (Fact 1 (i)), $f_1(R) \preceq g_1(R) \preceq \mathbf{0}$. Thus, in either case, agent 1 cannot benefit by misrepresenting his preferences.

CASE 3. $|\{i \in N \setminus \{1\} : R_i = R_0\}| = 3$.

We show that $f_1(R) \preceq g_1(R)$ and $f_1(R) \preceq (M, V(M, \mathbf{0}; R_0))$. There are three cases.

First, suppose $R_1 = R_0$. Then, since more than three agents have preference R_0 , $f_1(R) = g_1(R)$. Thus, it follows from *individual rationality* of g (see Fact 1 (i)) that $f_1(R) = g_1(R) \preceq \mathbf{0} \preceq (M, V(M, \mathbf{0}; R_1)) = (M, V(M, \mathbf{0}; R_0))$.

Second, suppose $R_1 \neq R_0$ and $g_1(R) \preceq (M, V(M, \mathbf{0}; R_0))$. Then, since three agents other

³³To see this, let $z \in Z^{\min}(R, \mathcal{B})$ be a \mathcal{B} -bundling unit-demand Walrasian equilibrium allocation supported by $p^{\min}(\mathcal{B}, R)$. Given $R_1 = R_0$ and $|\{i \in N \setminus \{1\} : R_i = R_0\}| = 2$, exactly three agents have the same preference R_0 . Since \mathcal{B} contains only two packages, at least one of these agents—say agent j —must receive $\mathbf{0}$ under z . If $p_a^{\min}(R, \mathcal{B}) < V(\{a\}, \mathbf{0}; R_0)$, then agent j would strictly prefer package $\{a\}$ to his assigned package $A_j = \emptyset$ at price $p^{\min}(R, \mathcal{B})$, contradicting the definition of a \mathcal{B} -bundling unit-demand Walrasian equilibrium. Thus, $p_a^{\min}(R, \mathcal{B}) \geq V(\{a\}, \mathbf{0}; R_0)$. Similarly, we have $p_b^{\min}(R, \mathcal{B}) \geq V(\{b\}, \mathbf{0}; R_0)$.

Let $p' \equiv (V(\{a\}, \mathbf{0}; R_0), V(\{b\}, \mathbf{0}; R_0))$ be a \mathcal{B} -bundling price vector. Let $k \in N$ be the unique agent with $R_k \neq R_0$ (such k exists since exactly three agents have preference R_0).

Consider an allocation $z' \equiv (A', t')$ such that: (i) $A' \in \mathcal{C}^*(\mathcal{B})$; (ii) agent k receives his most preferred package in \mathcal{B} at price p' ; (iii) the remaining packages in \mathcal{B} are allocated arbitrarily among the other agents; and (iv) for each $l \in N$, $t'_l = p'_{A'_l}$.

Then, (z', p') is a \mathcal{B} -bundling unit-demand Walrasian equilibrium for R , so $p' \in P(\mathcal{B}, R)$. We already showed $p' \leq p^{\min}(R, \mathcal{B})$. Since $p^{\min}(R, \mathcal{B})$ is the minimum element of $P(\mathcal{B}, R)$ and $p' \in P(\mathcal{B}, R)$, we have $p^{\min}(R, \mathcal{B}) \leq p'$. Combining these inequalities yields $p^{\min}(R, \mathcal{B}) = p' = (V(\{a\}, \mathbf{0}; R_0), V(\{b\}, \mathbf{0}; R_0))$.

than agent 1 have preference R_0 , we have $f_1(R) = g_1(R)$, and hence $f_1(R) \succsim_{R_1} (M, V(M, \mathbf{0}; R_0))$.

Finally, if $R_1 \neq R_0$ and $(M, V(M, \mathbf{0}; R_0)) \succ_{P_1} g_1(R)$, then, again by the fact that three agents other than agent 1 have preference R_0 , $f_1(R) = (M, V(M, \mathbf{0}; R_0))$. Thus, $f_1(R) = (M, V(M, \mathbf{0}; R_0)) \succ_{P_1} g_1(R)$.

In all three cases, we conclude that $f_1(R) \succsim_{R_1} g_1(R)$ and $f_1(R) \succsim_{R_1} (M, V(M, \mathbf{0}; R_0))$. Moreover, since $|\{i \in N \setminus \{1\} : R_i = R_0\}| = 3$, it follows from the definition of the rule f that for each $R'_1 \in \mathcal{R}$, $f_1(R'_1, R_{-1}) \in \{g_1(R'_1, R_{-1}), (M, V(M, \mathbf{0}; R_0))\}$. By *strategy-proofness* of g (see Fact 1 (i)), we have $f_1(R) \succsim_{R_1} g_1(R) \succsim_{R_1} g_1(R'_1, R_{-1})$. Thus, agent 1 cannot benefit from misrepresenting his preferences.

Finally, we show that f violates *constrained efficiency*. Let $R \in (\mathcal{R}^{Add} \cap \mathcal{R}^Q)^4$ be such that (i) $w(\{a\}; R_1) = 2$, $w(\{b\}; R_1) = 2$, and $w(M; R_1) = 4$; (ii) $R_2 = R_1$; (iii) $w(\{a\}; R_3) = 1$, $w(\{b\}; R_3) = 3$, and $w(M; R_3) = 4$; and (iv) $w(\{a\}; R_4) = 5$, $w(\{b\}; R_4) = 5$, and $w(M; R_4) = 10$. Then, $f(R) = g(R) = (\mathbf{0}, \mathbf{0}, (\{b\}, 2), (\{a\}, 2))$. Let $z \equiv (\mathbf{0}, \mathbf{0}, (\emptyset, -1), (M, 7))$. Note that $A \equiv (\emptyset, \emptyset, \emptyset, M) \in \mathcal{A}^f$, where A is the object allocation associated with z . Moreover, z Pareto dominates $f(R)$ for R . Therefore, f violates *constrained efficiency*.

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