

## Managing Authority and Incentives in Relational Contracts

概要: We consider a relational contracting model in which the parties choose whether to allocate authority either to the principal (centralization) or to the agent (delegation). The party who has authority chooses a project, and the agent exert effort to successfully execute the project. Delegation combines both the control rights of project and effort and allocates them to the agent, which generates both (i) a positive effect to motivate the agent to exert effort in case of impatient parties; and (ii) a negative effect to choose a project that is inefficiently biased toward the agent's favoured one in case of patient parties. Consequently, delegation (centralization) is inclined to be optimal for the parties with low (high) discount factors.