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Role of linking mechanisms in multitask agency with hidden information. (English)

Zbl 1203.91070

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Summary: We investigate the adverse selection problem where a principal delegates multiple tasks to an agent. We characterize the virtually implementable social choice functions by using the linking mechanism proposed by *M. O. Jackson* and *H. F. Sonnenschein* [Econometrica 75, No. 1, 241–257 (2007; Zbl 1201.91036)] that restricts the message spaces. The principal does not require any incentive wage schemes and can therefore avoid any information rent and welfare loss. We show the resemblance between the functioning of this message space restriction and that of incentive wage schemes. We also extend the results of the single-agent model to the multi-agent model.

MSC:

91B14 Social choice
91B40 Labor market, contracts (MSC2010)
91B44 Economics of information

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Keywords:

multitask agency; hidden information; no side payments; linking mechanisms; characterization; full surplus extraction

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