

Speaker: Alessandro Bonatti (MIT)

Collaborating

Co-author: Johannes Hörner (Yale University)

Abstract

This paper examines moral hazard in teams over time. Agents are collectively engaged in a project whose duration and outcome are uncertain, and their individual efforts are unobserved. Free-riding leads not only to a reduction in effort, but also to procrastination. Collaboration among agents dwindles over time, but does not cease as long as the project has not succeeded. In addition, the delay until the project succeeds, if it ever does, increases with the number of agents. We show why deadlines, but not necessarily better monitoring, help to mitigate moral hazard.