

On the Hidden Costs of Monitoring Corruption or Effort*

Jana Krajčová

CERGE–EI[†]

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Abstract

In this paper, I analyze the effects of monitoring on an agent's incentives in a two-period principal-agent model in which the agent decides on his effort and corruptibility. The agent's type and strategy are unknown to the principal. I compare incentive-compatible wages under three different scenarios: when the principal does not monitor and only observes output; when she monitors the agent's effort choice; and when she monitors the agent's corruptibility. I find that monitoring of effort improves the sorting of types but it might also give the agent more incentive to be corrupt. Monitoring of corruption does not improve the sorting of types but it negatively affects the agent's incentive to be corrupt.

Abstrakt

V tomto článku skúmam možný dopad monitorovania na agentovu "motiváciu" v dvojperiódovom modeli typu "principál-agent," v ktorom agent robí rozhodnutia o vynakladanom úsilí a o svojej uplatiteľnosti. Principál nepozná typ agenta ani jeho zvolenú stratégiu. Porovnávam mzdy nevyhnutné pre motiváciu agenta v troch rôznych situáciach: keď principál nemonitoruje agenta a teda pozná iba jeho konečnú produkciu, keď principál monitoruje agentovu voľbu úsilia a keď principál monitoruje agentovu uplatiteľnosť. Zistila som, že monitorovanie úsilia umožňuje principálovi lepšie triedenie typov (agenta), ale zároveň agent je viac náchylný ku korupcii. Naopak monitorovanie uplatiteľnosti nezlepšuje triedenie typov, avšak negatívne ovplyvňuje pohnutky na korupciu.

Keywords: corruption, monitoring, contract, incentive-compatibility

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[†]Center for Economic Research and Graduate Education–Economics Institute, a joint workplace of Charles University in Prague and the Academy of Sciences of the Czech Republic. Address: CERGE–EI, P.O. Box 882, Politických vězňů 7, Prague 1, 111 21, Czech Republic.