



November 15, 2019

## SEMINAR NOTICE

Topic: Delegation using forward Induction

Speaker: Dr. Swagata Bhattacharjee  
Assistant Professor of Economics  
Ashoka University

Chair: Professor Ajit Mishra, Director, IEG

The seminar details are as follows:

Date & time: **FRIDAY, NOVEMBER 22, 2019 AT 03.30 P.M.**

Venue: A.M. Khusro Room  
Institute of Economic Growth,  
Delhi-110 007

All are welcome.

  
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### **Abstract:**

This paper explores a potentially important role of delegation: as a signal of trust that is reciprocated by more cooperation. I consider a static principal-agent model with two tasks, one of which requires cooperation between the principal and the agent. If there is asymmetric information about the agent's type, the principal with a private belief that the agent is a good type can delegate the first task in order to signal the agent about his "trust". This equilibrium is supported by the forward induction argument. I conduct laboratory experiments to test these theoretical predictions and to examine the role of information in equilibrium selection. I find that delegation is used only sometimes to facilitate cooperation; however, when the subjects have information about past sessions, there is a statistically significant increase in the use of delegation. This evidence suggests that experience matters in equilibrium selection in Bayesian games.