

Abstract

We investigate the adverse selection problem where a principal delegates multiple tasks to individuals. The individuals form a group as a single agent and share their private signals in order to maximize their average payoff. We characterize the virtually implementable social choice functions by using the linking mechanism proposed by Jackson and Sonnenschein (2005) that restricts the message spaces. The principal does not require any incentive wage schemes and can therefore avoid any information rent and welfare loss due to risk aversion. We show the resemblance between the functioning of this message space restriction and that of incentive wage schemes.

JEL Classification Numbers: C70, D71, D78, D82.

Keywords: Multitask Agency, Hidden Information, Group Decisions, No Side Payments, Linking Mechanisms, Characterization, Full Surplus Extraction.