

Incentives and information order with applications*

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Abstract

This paper analyses a career concern model in which authority chooses a disclosure rule under which an individual will work hard induced by reputational concerns. We compute the individual's incentive and compare two rules: full and garbled disclosure rules. Our main result, restricted to a standard model, shows that the incentive intensity is monotone with respect to the Blackwell's informativeness. We focus on the similarity of the impact of informativeness on implicit incentives and contract efficiency, and lead to the conclusion that if reputational reward functions are highly convex, an improved transparency could hurt both current and potential contracting parties.

Key words: career concerns; Blackwell's informativeness; incentives; disclosure policy; transparency.

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