

Economics Seminar, Indian Statistical Institute, New Delhi.

SPEAKER: Indranil Chakraborty, National University of Singapore

TITLE: **Communication and Authority with a Partially Informed Expert**

TIME: 11:30 AM - 1:00 PM.

DAY & DATE: Monday, 7th May, 2012

PLACE: Seminar Room 2

Abstract:

A partially informed expert, A, strategically transmits information to a principal, P. The residual uncertainty faced by the expert effectively causes the bias between P and A to be random, with two consequences. First, by misreporting, A is likely to induce a decision choice by P, after the resolution of the residual uncertainty, that is either close to A's ideal position or too far from it, whereas truthful reporting keeps such variations "more balanced". A convex loss function of A thus favors truthful reporting. Second, by retaining authority of decision making and communicating with A, P avoids exposure to risks due to residual uncertainty. Better information transmission and the associated insurance benefit thus often imply P preferring control over delegation, despite A having superior information.

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