

OPTIMAL TRANSPARENCY IN TASK DESIGN

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ABSTRACT. A principal wants a group of agents to exert costly effort to learn for a task. The principal's objective is to select the agent who has learnt the most, based on the agents' performance on the task. The principal can determine the difficulty of the task, i.e., she chooses how the success probability on the task depends on how much agents have learnt. Agents get a utility from successfully completing the task and an additional utility from being selected by the principal. The principal cannot commit to not choosing the agent with the best performance. However, the principal can commit to not observing how much agents have learnt but instead using a binary pass/fail evaluation of the task. We characterize when the principal should choose this noisy evaluation and derive her optimal choice of difficulty.

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