

„Optimal stopping in a principal-agent model with hidden information and no monetary transfers“

Authors: Eugen Kovac, Daniel Krähmer und Tymon Tatur

Abstract:

We study optimal stopping rules in a simple principal agent framework when the exchange of contingent monetary transfers is infeasible. In each period, the agent privately learns the value from stopping today, but disagrees with the principal about when to stop. A stopping rule commits the principal to a stopping probability conditional on communication by the agent. The optimal stopping rule exhibits a finite deadline. Within the deadline, the agent can make one proposal to stop. In case of rejection, the relation is terminated. If the deadline is reached without a proposal, the agent obtains the decision right.