Abstract:

Often the preparation of a decision and the authority to decide are separated. For example, a controller must supply a manager with relevant information, but abstain from making the decision. With the help of principal-agent-models I show that a separation of these tasks is efficient in special cases. If the principal delegates only the planning activities, he can directly control the decision and thereby also reduce the agent's flexibility in the planning activities. The disadvantage is that costs arise because information must be transmitted. In addition, there may be bonding costs due to the principal's limited ability to commit costlessly to a decision.