



Agent-Designed Contracts: How to Sell Hidden Actions

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We study the problem faced by a *service provider* that has to sell services to a *user*. In our model the service provider proposes various payment options (a menu) to the user which may be based, for example, on the quality of the service. Then, the user chooses one of these options and pays an amount to the service provider, contingent on the observed final outcome. Users are not able to observe directly the action performed by the service provider to reach the final outcome. This might incentivize misconduct. Therefore, we propose a model that enforces trust through economics incentives. The problem has two crucial features: i) the service provider is responsible for *both* formulating the contract and performing the action for which the user issues payments, and ii) the user is unaware of the true action carried out by the service provider, which is *hidden*. We study this *delegation problem* through the lens of contract design, with the overarching goal of enabling the computation of contracts that guarantee that the user can *trust* the service provider, even if their action is hidden.

A full version of the paper can be found at: <https://arxiv.org/pdf/2402.16547>.

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