

Abstract

Should privately informed agents with diverging interests act independently or should they commit to a mechanism? This paper analyzes different communication and decision protocols when communication involves costly delay. It studies under which conditions agents should (i) choose their actions immediately and non-cooperatively, (ii) communicate and act independently or (iii) contract before receiving their information. Well-informed agents with similar preferences do not contract or communicate. Communication is desirable when preferences are similar and individual signals are of intermediate quality. Contracting on a Bayesian mechanism only pays when agents' preferred outcomes are not too strongly correlated, when information quality is high, and when the cost of delay is sufficiently low. When the correlation is negative and large enough, the optimal contract does not involve any communication.