

Discussion of “Enabling versus Controlling”

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- Suppose a firm must decide whether to give discretion to an agent or not—when should it do so?
 - Given the presence of non-transferable investments as well
- For example, when should a franchisor require a franchisee to use certain inputs or otherwise behave in a certain way?
- Intuitively, there could be many effects

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- ② If the transferable action imposes a *negative externality* on other agents, it may nonetheless be optimal to give agents discretion

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- Assessing alternative stories might be interesting, for example ex-ante quality differences among agents

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