

# Watch your words: cost of delegating and misrepresentation of intentions

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**Abstract:** We experimentally study the role of the opportunity cost of delegating in influencing the way in which an agent that wishes to be trusted communicates with a potential principal, and the effectiveness of this communication in inducing the principal to delegate. We consider a lost-wallet game in which the party that wishes to be trusted can send a free-form message to his counterpart in the initial stage of the game. Our results cast new light on the relationship between guilt aversion and communication. We find that, when the opportunity cost of delegation is high, communication tends to be more effective in inducing trust and more precise. However, communication does not seem to influence trustee's choice to pay back the trustor, weakening guilt aversion and cost of lying as possible explanations of the effectiveness of communication documented in our experiment. In order to organize our experimental results, we propose a simple model that is based on three main assumptions: (i) agent suffers a psychological cost from acting unfairly; (ii) agents are heterogeneous in the definition of “fair” amount and the sensitivity to psychological costs; (iii) communication is “cheap” (and carries no psychological costs).