

Watch your Words: Communication Precision, Guilt aversion, and the Opportunity Cost of Delegation

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Abstract

We experimentally study the role of the opportunity cost of delegation 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 non-precise (precise) statements of intent are more frequent in the presence of lower (higher) opportunity costs of delegation. Moreover, when the opportunity cost of delegation is high, communication tends to be more effective in inducing trust, therefore suggesting that precise promises are more effective than non-precise ones. These results have applications in a number of fields such as organizational behavior and campaign communication.