

Complete Contracts in Discretionary Environments

Discretionary? Penalties for breach of contract?
 - Full Verifiability

Transfers from A to B if not (I, I)
 α, β, δ

Bob		I	N
Amy	I	Z_A, Z_B	$Y_A + \beta, X_B - \beta$
	N	$X_A - \alpha, Y_B - \alpha$	$\delta, -\delta$

The one who gains from enforcement is the one who brings the suit \rightarrow Plaintiff

1) If $Z_A > X_A$, $\alpha = 0$ else $Z_A > X_A + \alpha \rightarrow 0 > Z_A - X_A > \alpha$
 \rightarrow Amy sues Bob

2) If $Z_B + X_B$, $\beta = 0$ else $Z_B > X_B - \beta \rightarrow \beta > X_B - Z_B > 0$

Certain external enforcement
 \hookrightarrow I, I is the induced NE

Results:

1) Full Verifiability
 2) Discretionary, complete, contracting

\hookrightarrow there is an externally enforced contract that yields I, I as the NE outcome of the induced game