Writing a cover letter

Homework #4

FISH 521 - Proposal Writing and Professional Development

06 Febuary 2023

Instructions

Write a cover letter for a submission to a journal using the template below. Base your letter upon the paper you chose for HW #1 as though it were your own original manuscript. Alternatively, you may choose to base your letter upon a paper you are currently getting ready to submit.

Submission

When you are finished, push to your GitHub repo.

Elias Papaioannou, PhD  
Managing Co-Editor  
Review of Economic Studies.  
Houghton Street, London WC2A 2AE, United Kingdom  
February 12, 2023

Dear Dr. Papaioannou,

I would like to submit our paper entiled “Optimal Delegation” to the Review of Economic Studies. In this paper, we analyze the delegation problem between an agent and a principal unable to commit to contingent transfers, characterizing the optimal delegation set, and performing comparative statics on the principal’s willingness to delegate and the agent’s discretion. We find that delegation, specifically interval delegation, occurs when the principal and agent are minimally aligned, and apply this model to the regulation of a privately informed monopolist.

The delegation problem is common throughout economic and decision-making systems: from the decision-making of company shareholders, managers, and board members; to rule-making within legislative committees; to the regulation of natural monopolies such as in pollution management. In these contexts, contingent transfers are not an option (budgets are approved and then tasks are executed, not the other way around; or transfers from governments to private firms are outright illegal in many countries). Characterizing the optimal contracts within different versions of this no-transfer context could help increase the efficiency and efficacy of regulatory and multi-party decision-making processes.

Previous work on the delegation problem has been limited to restricted characterizations as in Holmström’s work in 1984. Our paper, however provides a generalized solution without restrictions on the delegation set, and allowing the principal’s preferences to be quadratic as in Melumad and Shibano, 1991. We build on Melumad and Shibano by allowing for general distributions and more general utility functions. Among other benefits, this enables us to examine the robustness of contracts to perturbations in the economic system.

Information contained in this paper, besides that clearly cited, has not been previously published or presented aside from internal discussions with fellow colleagues in our respective universities’ economic departments.

We recommend the following three expects as potential reviewers due to their familiarity with this topic, and lack of association with the research that took place to develop this paper.

* Fahad Khalil, University of Washington, khalil@uw.edu, Economics: Contract Theory, Game Theory, and Industrial Organization
* Doyoung Kim, Sogang University, dkim@sogang.ac.kr, Economics: Contract Theory, Industrial Organization, and Organizational Economics
* Jean-Charles Rochet, Toulouse School of Economics, jean-charles.rochet@tse-fr.eu, Economics: Bank, Finance & Insurance, and Industrial Organization

We do not find any conflict of interest with any of the above-mentioned three reviewers.

Sincerely,

Katharine Leigh

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