

Even though credibility has been relatively understudied in the literature, it remains crucial in many situations. One such scenario is when the principal and the agent both enjoy and want to protect some form of reputation. This may happen, for example, when the two parties are known businesses. The principle may still have private information about the state, and the agent about his private type, but the agent may adhere to the contract (type) made by both sides earlier in the game. Aside from reputation, the agency may wish to stay to the previously established kind (contract) to prevent potential legal implications. From a behavioral game-theoretic perspective, agents may be hesitant to perform acts that contradict their report for psychological and social reasons that result in restricted rationality. In strategic settings, credibility may also develop willingly when an agent chooses to act consistently in order to affect the principal's perception of their actions.