



The Department of Economics

SEMINAR

We are happy to invite you for a lecture that will take place on **Thursday, May 27th at 16:00**

The lecture will be on zoom.

Speaker: **Curtis Taylor** (Duke University)

Zoom link: <https://us02web.zoom.us/j/7397512132>

Title: **Setbacks, Shutdowns, and Overruns**

Abstract: We employ novel methods to study optimal project management in a setting plagued by setbacks. The contractor can cover up lack of progress due to shirking either by making false claims of setbacks or by postponing the reports of real ones. The sponsor induces work and honest reporting via a soft deadline and a linear terminal reward. Late stage setbacks trigger randomization between cancelation and extension. Thus the project may run far beyond its initial schedule, generating arbitrarily large overruns, and yet be cancelled. Absent commitment to randomize, the sponsor grants the contractor more (expected) time to complete the project.

We look forward to seeing you.