Abstract

I consider a model of principal-agent contracting in which the level of effort is known, but the agent's productivity is private information. Prior to accepting a contract, the agent can acquire information about her productivity, but is rationally inattentive about it. I show how the problem can be reduced to one of Bayesian persuasion. I identify a novel form of moral hazard: even when all parties are risk-neutral and there is no asymmetric information at any stage along the equilibrium path, there will be inefficiency in contracting due to the *threat* of acquiring information.