

# Abstract

## Essays in applied economics on the role for a third player in agency relationships.

Agency theory has provided a deep understanding of the conditions under which incentives manage to reconcile the diverging interests experienced by the principal and the agent. The essays presented in this thesis evaluate the empirical relevance of those results when a third party interacts with the primary contract. We focus on three archetypal situations : corruption behavior, the practice patterns of physicians and the demand for underground work.

First, corruption refers to situations in which two contracts are at stake : a delegation contract between a Principal and an Agent and a *corruption pact* concluded between this Agent and a third player, called Briber. We first provide a survey of both empirical and theoretical recent literature on corruption, highlighting how corruption behavior results from the properties of each of those two contracts. We thereafter show that the Agent faces a conflict in reciprocities due to those two contradictory agreements. The resulting *delegation effect*, supported by observed behavior in our three-players experimental game, could account for the deterrence effect of wage on corruption.

Second, the supply of health care is governed by contradictory objectives : patients are mainly worried about the quality (health) provided whereas containing health care cost is the primary goal of health care administrators. We provide further understanding into the ability of incentives to account for those two contradictory objectives. To this matter, our theoretical and econometric analysis is aimed at evaluating how a new mixed compensation scheme, introduced in Québec in 1999, has affected physicians practice patterns. The labour supply of physicians is described both by the extensive margins (total hours of work, number of services delivered) and the intensive margin (time devoted to each patient). Free switching is shown to be an essential feature of the reform, since it implements screening between physicians on the basis of their preferences regarding work practice.

Last, the demand for underground work departs from previously analysed illegal behavior due to the benefit of illegality depending upon competitors' behavior. We set up a theoretical model linking the individual demand for underground work to this feature, with specific emphasis on the potential deterrence effect of denunciation. We first show that competition leads to the rather intuitive *Bertrand curse* : evasion occurs at the only equilibrium although it opens the door for a price war that cancels out the benefit of illegality. We next turn to the conditions under which an industry can sustain *collusive evasion*, a strategy where evasion benefits are recovered thanks to a collusive pricing behavior. Denunciation is shown to help firms in supporting this strategy at equilibrium, hence fostering underground work. Our empirical evidence supports those results. This leads to strong support against adding denunciation to actual deterrence policies.

Overall, those three applications highlight the central role played by the interests of the three players involved, respectively : divergent, convergent but contradictory and divergent but helped by a mechanism of reconciliation.

**Keywords :** Incentives, Principal-Agent relationships, Illegal behavior, Health care supply, Payment methods, Collusion, Applied econometrics, Laboratory Experiments (*JEL Codes* : K42, K12, I11, I18, J33, D21, L41, C25, C91).