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THEORY OF CONTRACTS

Value of Communication in Agencies, by Nahum D. Melumad and Stefan Reichelstein (Stanford University).

Focusing on an agency model in which the agent receives private information prior to contracting, we analyze whether the principal benefits from offering the agent a menu of contracts. We show that, under certain conditions, the constraints imposed by the self-selection requirement are so restrictive that a menu of contracts has no value, i.e., the principal might as well offer a single contract based only on some jointly observed outcome. Conversely, we identify cases where a menu of contracts is valuable because it allows the principal to implement a more efficient incentive structure. *Journal of Economic Theory,* Vol. 47 (April 1989), pp. 334–68. (Reprinted with permission of the *Journal of Economic Theory*).

RISK PERCEPTION AND ECONOMIC BEHAVIOR

Separability and Risk in the Static Household Production Model by Raul V. Fabella (University of the Philippines).

The author shows that unlike multiplicative risk, additive risk allows separability, regardless of risk attitude. He also shows that the Pope-Kramer multiplicative risk results in asymptotic separability, i.e., the larger the production scale, the more negligible is the influence of the disturbance term. Finally, he shows that additive risk mitigation through crop choice leaves the household production model separable in the sense of efficiency only. *Southern Economic Journal,* Vol. 55, No. 4 (April 1989), pp. 954–61. (Reprinted with permission of the *Journal of Economic Literature*).

Rates of Time Preference and Valuations of the Duration of Life, by W. Kip Viscusi and Michael J. Moore (Duke University).

This paper develops a multi-period Markov model of the lifetime choice of occupational fatality risks. The empirical model analyzes the wage effects of job risks using the 1982 University of Michigan Panel Study of Income

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