

# THE (IR) RESISTIBLE RISE OF AGENCY RENTS

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Agents' rents increase with the magnitude of incentive problems, which the literature usually takes as given. We endogenize it, by allowing agents to choose more or less opaque and complex technologies. In our overlapping generations model, agents compete with their own generation and their predecessors. We study if virtuous old-timers can keep young managers' rent-seeking in check.

In our dynamic contracting setup, longer horizons help principals incentivize agents. As a result, old agents are imperfect substitutes for young ones. This mutes down competition between generations and enables young managers to go for higher rents than their predecessors. Our analysis offers an interpretation for the rise of opacity, complexity and rents in the financial industry.