

## Incentives at Cambridge in 1574

Suggested by Michael R. Baye and Paul Kattuman

Long before the 1996 Nobel Prize in Economics was awarded to a Cambridge professor for his theoretical work on incentives under asymmetric information, another Cambridge scholar was drafting an applied piece in the area—his last will and testament. This early work was completed in 1574 when Matthew Parker, Lord Archbishop of Canterbury and Master of Corpus Christi College, signed his bequest of valuable books and silver to his college. To mitigate incentive problems in the maintenance of the collection, the bequest was a quadripartite indenture involving not only Parker and his college, but two other colleges at Cambridge: Gonville & Caius and Trinity Hall.

According to the *Parker Bequest*, the books were to be housed at Cambridge in the custody of "the Master and Fellows of the College of Corpus Christi and of their successors in perpetuity," subject to the following incentive constraints:

Each year on the sixth day of August, ... the Masters of Gonville & Caius College and Trinity Hall [are to conduct an independent] review and examination. ... If in the yearly inspection any of the printed or manuscript books [are] missing, [Corpus Christi] shall make up the said number of books on pain of a fine imposed on them at the judgment of the two supervisors for the time being, so that the full number of books is extant at the next yearly inspection.

[In the event of breach, Corpus] shall forfeit at that time not only whatever silver plate there is recorded as given and handed over by the same Matthew to the aforesaid master and fellows, ... but they shall also hand over, totally and entirely, to the Master and Fellows of Gonville & Caius College the custody of each and every one of the said books within the next month. And that if the Master and Fellows of the said Gonville & Caius College are also found guilty of similar negligence, it is decreed that the silver plate recorded as given and passed over to that college, together with the custody of the aforesaid books, ... shall be handed over to the Master and Fellows of Trinity Hall to be kept in the manner stated above. ... But if they too are not zealous in performing and fulfilling that same custodial office, then indeed it shall return in a circle to Corpus Christi College, back to the state in which it was first established.

Contract theorists, no doubt, will appreciate Parker's use of internal "carrots and sticks" to provide incentives for rival colleges to monitor Corpus Christi, and for Corpus Christi to protect and preserve the Parker Collection. Game theorists are likely to view Parker's early solution to the end-period problem as even more ingenious: The bequest circumvents deleterious outcomes by creating a perpetual game through overlapping contracts between the colleges of Corpus Christi, Gonville & Caius, and Trinity Hall.

Matthew Parker's early insights into incentives have served him well; his valuable collection of books and silver remain preserved and well protected in his College of Corpus Christi, where they have resided since 1574.

- [*Parker Bequest 1574* (Cambridge: Corpus Christi College, Parker Library); translated by Raymond Page]
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