

# Moral hazard and preference of fixed payments

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**Abstract:** This paper studies why some business firms do not have to rely on explicit contracts to resolve incentive problems even though they have contractible financial measures. Implicit incentives (career concerns) play a key role in those firms as in the government sector where reports based on business accounting are not available. Based on a classic moral hazard model and assuming that those firms have non-contractible performance measures as well as contractible measures, this paper would provide some reasons for that.