

Economic Theory, Decision Theory and Experimental Economics
Seminar

Persuasion and Pricing

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12:30pm Room 3-E4-SR03 Via Röntgen 1 Milano

Abstract

In a simple trading game the buyer and seller have repeated opportunities to acquire and disclose hard (verifiable) evidence about the value of the tradable good. The parties disclose individually favorable information but conceal signals that are beneficial to the other side. In a leading case of interest (finite horizon, sufficiently patient players) the equilibrium is characterized by a period of skimming (seller offers accepted only by informed buyers) concluded by a single settling period in which agreement is reached for sure. The length of delay until agreement and the corresponding efficiency loss are decreasing in the time horizon and in the abilities of the trading parties to identify the good's value, but increasing in their impatience. An infinite time horizon may result in immediate agreement.

Joint work with Chris Wallace