Optimal intermediary test-design *

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Abstract

An intermediary designs and prices tests to facilitate signaling between a sender and a receiver and considers disclosure schemes to maximize his profit. Disclosure schemes are either full disclosure or delegates disclosure to the test taker. While giving the option to hide the bad results attracts the low ability test takers and increases the revenue of the intermediary, it makes the test less informative. We show that the intermediary is indifferent between the two schemes: within each disclosure scheme designing more difficult tests increases the willingness-to-pay of the more able senders but reduces that of the less able senders. We show that the intermediary is not indifferent between different tests with the same informativeness. Notably, the intermediary designs the easiest test possible to convince the receiver of the sender's ability. We show that this feature of the within scheme design together with the need for tests to be informative makes the intermediary and the sender indifferent between the two schemes.

Keywords: intermediary, test-design, disclosure-design, Bayesian persuasion

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