

WWZ Reseach Seminar

Tuesday, November 3, 2020, 12:30pm, Zoom only

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" Voluntary Disclosure in Leader-Follower Games"

(joint with Robert F. Göx)

Abstract

We study voluntary disclosure strategies in a Stackelberg market. Our analysis provides unexpected results. First, depending on the nature of the information and the role of the sender in the product market game, the disclosure equilibrium in our model can take three different forms. A single disclosure threshold, an intermediate nondisclosure region, or even full disclosure. Second, whenever the optimal disclosure strategy takes the form of a single threshold, the firms in our model withhold high realizations of cost or demand. While the latter strategy is always optimal for the follower, the leader truthfully discloses its cost information and withholds either high or intermediate demand information. We also study the firms' information acquisition incentives and find that the sender invests more resources into the information system if this choice is not observable by the receiver.