

Facts and Opinions

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Abstract :

We study a sender-receiver communication game with quadratic preferences and an additive sender bias. When the sender can communicate only through verifiable but noisy information and her bias is small, we show that complete information unraveling is not an equilibrium and that more informative equilibria exist. In these equilibria, the sender uses silence not to hide information from the receiver but to communicate that the information she has, while verifiable, is misleading. Thus, mandating disclosure hurts the receiver in these cases. We then enrich our baseline model by allowing the sender to also communicate by using unverifiable information. We illustrate how verifiable and unverifiable information can complement each other and that this complementarity is maximal for moderately biased senders