Information Sale and Trade

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Abstract :
We study design and pricing of information by a monopoly information provider (A) for a buyer in a trading relationship with a seller. If A may only offer a single information structure the profit-maximizing one has a simple, binary threshold character. If A may offer a menu of priced information structures it is optimal to offer a continuum of thresholds which induce a unit-elastic demand function for the seller who sets the highest price with a positive demand. The equilibrium is inefficient unless seller production cost exceeds the mean buyer valuation: in this case, A enhances welfare if cost is high enough (yet below the mean buyer valuation) but reduces it if cost is low enough.